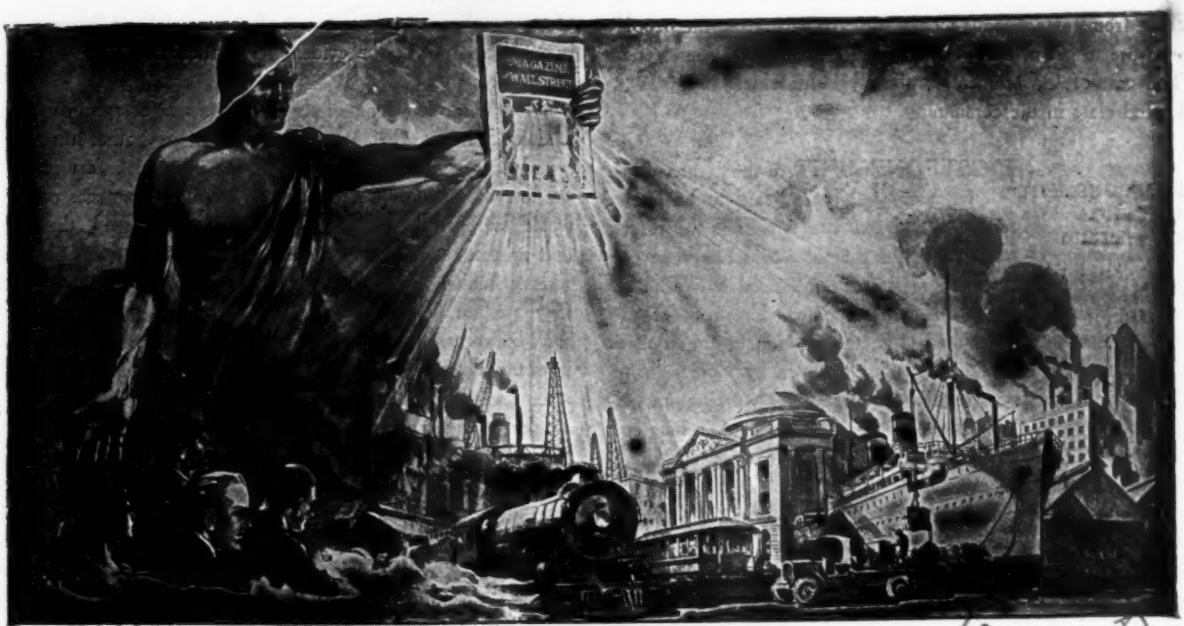


The Outlook

Better Earnings Reports—The Bonus—Genoa Conference Postponed—The Federal Reserve Report—Tariff Delayed Again—The Market Prospect

ONE of the surprises in the financial situation of the first few weeks of 1922 is seen in the fact that earnings reports not only on the part of sundry industrial concerns, but also of railroads, have on the whole, made so favorable a showing. *The railroad reports in particular have furnished an agreeable surprise. Comparison of 1921 with 1920 indicates that very material economies have been introduced, and that there has been a decided gain in earning power which has put sundry of the roads in position to show their dividends actually taken care of.* This, of course, must to some extent be qualified, when we remember that the replacement and betterment accounts of the lines have been conducted on so low a scale as they have. Nevertheless, the capacity of the lines to get back into a position of even technical ability to pay dividends, independent of Government support, is very gratifying.

In the industrial field, the year-end reports of various corporations show some extremely satisfactory conditions. This has been true of a number of the equipment companies, some of the public service corporations, and a number of merchandising enterprises which had not been overloaded with high priced materials bought under conditions that gave the holders no opportunity to offset the loss due to shrinkage of prices. Losses of the latter kind have been in large measure "written off," with the result that a good many business concerns which have seen their profits eaten up in this way are now in position to go ahead on a more conservative basis. *From this standpoint, the year 1922 promises to be a period of growth, the preceding year having largely provided for the working off or absorption of losses incurred as a result of price shrinkage in 1920. Certainly the situation has reached an encouraging phase.*

PRESIDENT HARDING AND THE BONUS

PRESIDENT HARDING'S recent letter to Chairman Fordney of the House Ways & Means Committee clearly explains the present position of the Federal Government as regards the proposed soldiers' bonus. On two points it takes a strong position—neither bond issues nor taxes on securities, checks, postage and the like can be considered at the present time. The sale of new bonds is out of the question, because of the fact that such bonds would result in greatly damaging or interfering with the present status of public credit.

The various taxes which have been suggested are likewise out of the question because they would unduly burden business and would thereby tend still further to retard the process of restoring prosperity. Both these considerations are absolutely sound, and reflect the point of view which has been expressed by many members of the business community who have communicated with the President during the past few weeks.

It would be impossible to lay any further burdens upon those tax payers who are now bearing the burden of supporting the Federal Government. President Harding urges the postponement of the whole question for the present, but he makes one reservation—that if Congress should choose to impose a sales tax for the purpose of paying the bonus he will give favorable consideration to the legislation. Of course this, in effect, is equivalent to a statement that if Congress sees fit to spread the burden out evenly over the population at large, the President is willing, although not much inclined to the plan, to approve a bonus measure. That, however, is at once distasteful to the principal advocates of the bonus. They realize the unpopularity which would

come from taxing bonus money directly back from the people who are to get it, and yet this position is the only sound one. The cost of Government is already borne chiefly by a very limited class in the community.

* * *

POSTPONEMENT OF GENOA CONFERENCE

POSTPONEMENT of the Genoa Conference for a period said to be likely to run to three or four weeks is the direct outcome of the difficulty that has been experienced in getting a consensus or agreement between the various countries which are to participate. President Harding's hesitation in making known the attitude of the United States, and the recalcitrant position assumed by France, have been joint factors in tending to delay the working out of plans. Due to the attitude of indifference at Washington, and the constant postponement of a decision as to our share in the meeting, the interest of the financial community has undoubtedly flagged a good deal, and not a few are now disposed to regard the prospective outcome with some degree of pessimism. Nevertheless, the fact remains that the proposed conference is the only means now in sight for bringing about an international agreement that will dispose of some very crucial financial problems which are otherwise likely to go unsettled.

The continuous falling off of our foreign trade, and the fact that, in spite of temporary improvement in exchange on different countries, it cannot fairly be said that there is a real betterment of foreign relations, strongly emphasizes the necessity of a more effective system of international financing. The introduction of any such system is dependent upon protection for capital advanced or invested by one country in another, and it is also dependent upon stability of value in the medium used to express such investments. Accordingly, it would seem likely that, lacking these two essential prerequisites, the development of international trade will continue to languish. It is in this fact that our own immediate interest in the restoration of sounder conditions abroad is to be seen. Nevertheless, it is undoubtedly true that there has been a decline of interest on the part of the community, and particularly of the business element in it, since the subject was first broached.

* * *

AN UPTURN IN BUSINESS

THE report of the Comptroller of the Currency showing the condition of national banks toward the close of 1921 has just been made public and has called forth a good deal of appreciative comment from some public men who see in it evidence of a great "upturn" in business. Particular satisfaction is expressed because of the large showing of cash and the fact that there has been so little draft upon the cash resources of member banks here and there during the past few months. Satisfaction is also expressed because of the moderate growth in resources which they have shown; and these elements in the reports are pointed out as indicative of a very decided improvement of commercial conditions. It is doubtful whether the evidence is particularly convincing in this regard.

Most observers think of the great volume of specie in the United States as being evidence of danger rather than of soundness. Eventually, of course, we must look forward to the loss of this specie if we expect the other countries of the world to return to a gold basis. In the same way, the fact that member banks are carrying large unused balances with reserve banks, is indicative of little more than the fact that they are not finding a very active field of employment for such balances. Even if their reserves were near a minimum, it would not matter much under the present banking system, since such a condition would merely point to the necessity of early, and perhaps extensive, rediscounting with reserve banks.

For all these reasons, the bank statement throws but little new light upon business conditions as already known. *Yet the evidence from many sources is clear to the effect that there is a slow but fairly general restoration of soundness in trade and industry.* This is a genuine basis for congratulation, but the reasons for such a hopeful feeling are not to be found in the figures of national bank reports. The latter show a sound and safe condition in the banks, but they also point to the existence of very serious problems.

* * *

MORE DELAY ON THE TARIFF

THE fact that the Senate Finance Committee has now agreed on a foreign tariff valuation plan substantially similar to that recommended by President Harding which gives power to the Executive to vary the rates, brings it into direct conflict with the programme evolved by the Ways & Means Committee of the House and based on the idea of American Valuation. Chairman Fordney of the House Committee already threatens lengthy delay and controversy if the Senate does not recede from its position. How far this threat would be carried out in actual practice, may well be doubted. Probably it would not be pushed to the point of actually holding up the tariff if that would defeat the various purposes had in mind by both parties to the controversy.

* * *

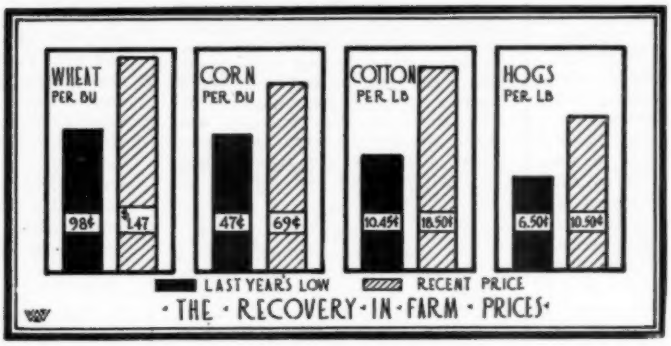
MARKET PROSPECT

THE market continues to make steady progress toward higher prices, accompanied by greater breadth and activity. The rise is not confined to any special group, and is apparently due to the influence of gradually increasing public confidence in American industries. The market is discounting an improvement in business which is likely to progress more rapidly than many people expect. Therefore, it is very important that those who have purchased at the low levels continue to exercise patience, for they are likely to be rewarded in proportion to their firmness in the face of reactionary influence of only temporary significance.

Is the Farm Crisis Past?

What Caused the Slump—Factors in the Recent Recovery—The General Outlook

By **EUGENE MEYER, JR.**



Editor's Note—American business men and investors have learned in a way that we will not soon forget the overwhelming influence exerted by the farming community in the commercial affairs of the nation. It long since became apparent that any general trade recovery could only follow a loosening of agricultural credits and a recovery in farm product prices, and that business could not improve until the farmer was rescued from his plight.

The following article by the Managing Director of the War Finance Corporation, tracing the trend in agricultural conditions, and analyzing the recent turn for the better, will therefore be read with much interest.

THE biggest business man in the country—the biggest buyer and the biggest producer—is the farmer, and the biggest industry is agriculture. Other industries bulk large in the public imagination because of the way in which they have been advertised. So predominant were these industries thought to be that at one time it was customary to speak of steel kings, lumber barons, and the like. **But the farmer has in his wood lot, a mere side line to his regular farming business, more timber in the aggregate than is owned by all the so-called lumber barons combined. And the money invested in the live stock industry alone about equals, in the aggregate, the investment in all the railroads of the country. Agriculture produces more of the nation's wealth and offers a larger market for its manufactured and other products than any other single industry.**

When the economic activity of the farmer is materially curtailed, all kinds of business share in the stagnation that inevitably follows; and the recent period of depression has brought home to the whole nation a realization of the importance of agriculture and of the common interest which business men, manufacturers, bankers and the people generally have in its stability.

Buying Spread Over the Year

The difficulties of the farmer in the last two years have been due largely to his inability to market his crops in the customary manner, and to the necessity that has been forced upon him of carrying them for a longer period.

Before the war, the exportable surplus of our crops was bought in bulk and moved rather promptly after harvest, for the most part by European importers. Producers and exporters on this side had to carry it and finance it for a comparatively short period. But since the war, owing principally to the condition of exchange, the importing nations—even when buying as much as formerly—have bought on a hand-to-mouth basis, so to speak, making purchases only to meet current needs.

The selling of our agricultural products for export has become a twelve-months' process instead of a brief seasonal one, and the financing and storage with their attendant problems, have been shifted from the foreign buyers and bankers to us. Similarly, jobbers, manufacturers and wholesalers in this country, following the collapse in commodity prices and markets, became unwilling to carry their usual stocks in anticipation of demand, and domestic buying likewise developed a tendency to spread over the year.

All this resulted in putting a new financial burden on the farmer and his banker—a burden which they were not prepared to carry.

Assistance in Financing Exports

It became evident, during the fall of 1920, that our agricultural industry was facing a conndition of stagnation in the marketing of its output. The rapid decline in the prices of farm commodities caused distress in the agricultural districts and brought about a situation which threatened to throw out of gear the whole business machinery of the nation. The flow of the current of business was checked by the agricultural financial impasse that developed. Something had to be done to assist our great basic industry in meeting the emergency and to pry loose the keylog of the general credit and industrial jam. So Congress, in January, 1921, adopted a joint resolution directing the War Finance Corporation to resume its activities in connection with the financing of exports.

Acting under this authority, the Corporation took steps to extend credit on a sound business basis to the exporters of American commodities and to the banking institutions financing such exporters. Attention was directed first to cotton, because that is our foremost agricultural export, and every effort was made to develop ways and means of facilitating its movement to foreign countries.

Some advances were made to finance the shipment of cotton to foreign warehouses, there to be sold for cash to the foreign buyer as it was needed, and in fact approximately 225,000 bales were exported under this plan. But further action was necessary, and early in July, 1921, the Corporation found that, through the large cotton cooperative marketing organizations, it could extend the needed financial assistance to American producers on a large scale and put them in position to carry their cotton for orderly marketing.

Cotton Situation Greatly Improved

The first important move in this direction was made when a loan of $5,000,000 was granted to a Mississippi cooperative marketing association for the purpose of financing the carrying of 100,000 bales of long-staple cotton. This transaction was soon followed by other loans to cooperative associations and to banks, until the Corporation had provided for the financing of well over 1,000,000 bales, involving between $50,000,000 and $60,000,000.

These loans took care of but a small portion of the crop it is true, but as soon as it became clear that cotton was going to be adequately financed, buyers at home and abroad resumed purchases, with a marked effect on the prices of cotton and cotton goods. Encouraged by what the Corporation had agreed to do, many banks and other financing organizations found ways to increase their loans on cotton. The fear began to go out of the market. Confidence was restored; the business men of the South breathed more freely, and the whole business outlook was changed.

Although attention was concentrated on cotton in the beginning, other agricultural products were not neglected. Large advances were authorized by the Corporation to aid in the financing for export of such commodities as wheat, dried fruits, canned fruits and vegetables, tobacco, condensed milk and meat products.

Loans for General Agricultural Purposes

While the export financing operations of the Corporation were of both particular and general benefit, it became increasingly clear that further assistance was needed to help the agricultural industry over the emergency. Congress, therefore, in August, 1921,

extended the powers of the Corporation and gave it authority to make advances up to a total of $1,000,000,000, to banking and financing institutions, and to co-operative associations, for any purpose connected with the growing, harvesting, preparation for market, and marketing of agriculture products, or the breeding, raising, fattening and marketing of live stock. Through thirty-three regional committees, composed of public-spirited bankers, business men and others, who are serving without compensation, the corporation is extending assistance to agriculture on a nation-wide scale. Large advances already have been made to aid the stockmen of the West, the wheat growers of the Northwest, the farmers of the Corn Belt, the sugar beet growers of Utah, Idaho and Colorado, the peanut producers of Virginia, the fruit and rice growers of California, and other agricultural producers throughout the country, and the Corporation is daily approving additional advances ranging in the aggregate from $1,500,000 to $2,000,000.

Up to January 31, 1922, the advances authorized by the Corporation for agricultural and live stock purposes totaled nearly $200,000,000, in addition to advances for export purposes aggregating approximately $50,000,000. Of the total amount, $185,000,000 represents advances granted to banking and financing institutions, $53,600,000 to cooperative marketing organizations, and $9,000,000 to exporters.

Farmers Getting the Benefit

There is ample evidence that the loans made by the Corporation are having a favorable effect on the agricultural situation. In the first place, its advances to banking and financing institutions in the agricultural districts are removing the necessity for forced liquidation and sonsequent sacrifice of crops by the farmer in order to meet his financial obligations. In the second place, they are putting many banks in funds for making new loans where proper security can be obtained, so that the farmer can go ahead with his normal operations.

How the Banks Are Helped

One of the most important factors in the work of the Corporation—a factor which cannot be accurately measured or properly appraised—is this: Where a number of banks in a given territory find themselves in a difficult position due to loans which, though good, are, nevertheless slow and temporarily uncollectible, and where these banks are compelled to meet the demands of their depositors for their current needs, a disastrous situation might easily develop if the long rediscounts offered by the War Finance Corporation were not available.

This weakness, which all those familiar with agricultural conditions appreciate, is not only a factor with the banks immediately concerned, but with the stronger banks as well. If the weaker banks had not been reinforced by the Corporation's rediscount facilities, as they have been recently, the stronger banks would not have been as willing as they have been to do their part in the situation. **And, as the work progresses, one of the most important effects will be that the stronger banks of the country, seeing that the position of the weaker banks is improving, will come into full, courageous and helpful activity throughout the agricultural territory.**

PRESIDENT HARDING SEES CRISIS OVER

In a statement issued from the White House on February 18, President Harding said, in part:

"Under any analysis, the figures [as contained in the Consolidated National Bank statement] indubitably demonstrate that the peak of liquidation and of consequent depression was passed somewhere between Sept. 6 last and Dec. 31 last and that the tendency has been steadily toward improvement in business and less reliance of business upon the support of the banks.

"Of precisely like tenor are recent advices from the War Finance Corporation, which reports a progressive liquidation of its loans and a general improvement of conditions in the agricultural industry. Recent stabilizations of prices for agricultural staples have brought the farmers to the point where they are able to realize something at least approximating costs of production and can look forward hopefully to still further improvements in no very distant future."

Permanent Credit Agencies Needed

The War Finance Corporation is merely a temporary organization. Under existing law, it will cease active operations on July 1 of the current year. The National Agricultural Conference, held recently at Washington, through its Committee on Agricultural Credit, Insurance and Taxation, considered the question of making provision to meet the farmers' requirements for operative and marketing credits, such as are now temporarily available through the War Finance Corporation, and recommended that machinery be established to deal with the problem on a permanent basis.

The Committee also recommended that, if action of this sort is not taken by the Congress, the life of the War Finance Corporation be extended for such time as may seem necessary and proper. As a matter of fact, bills designed to accomplish the purpose outlined by the Committee already have been introduced in Congress and undoubtedly will be taken up for consideration in the near future. It is merely a question of providing the necessary machinery, because the need for putting the farmer in position to carry his products for more orderly marketing has already been demonstrated. And with the ample supply of short time investment money that is available in this country, there should be no difficulty in obtaining the funds that will be required to put the financing of agriculture on a sound business basis.

Agricultural Conditions Improving

Some concern has been expressed regarding the financing of the planting, harvesting and marketing of the 1922 crops. While there may be many cases of financial helplessness—often arising from causes beyond the control or responsibility of the sufferers—that cannot be relieved by the War Finance Corporation, the general outlook is encouraging, and even those cases will be benefited by the general improvement in the credit situation that is resulting from the activities of the Corporation. The Corporation still has available ample resources with which to make advances on a sound basis, in accordance with the terms of the law under which it is operating; there has been a marked improvement in the cotton, corn, wheat and live stock markets; the banks generally are in a stronger lending position, and conditions on the whole are on the upward trend. Prophecies are always dangerous, but I have no doubt that ways and means will be found to provide for the financing of as large a volume of every crop as present economic conditions justify or require.

The Lesson of the Past Year

The nation is probably making greater savings of natural wealth, in spite of the present distress, than it was making when we had what was called, and many believed to be, prosperity. The false basis of that prosperity collapsed in 1920, and the derangement of conditions, attended by inevitable suffering and losses, will prove to have been overcome for the most part in 1921.

Years of adversity are not without their value, if we will only analyze past events for the light they may throw on the present and for the assistance they may give in solving the problems of the future. The lesson of the past year should be an understanding of the interrelation of all our agricultural and industrial activities and of the common interest that we all have in each other's welfare at home and abroad. And as this understanding is brought to bear more and more on the economic problems of the country, I believe we shall see a rapidly increasing tendency toward the restoration of stability in both agriculture and commerce.

FARM PRICES ADVANCE

Range of cash prices of principal commodities in the wholesale market (N. Y.) for current year shows the following comparisons:

	High		Low	
Wheat	$1.54½	Feb. 27	$1.19	Jan. 3
Corn	.81¼	Feb. 27	.61⅜	Jan. 3
Oats	.50	Feb. 15	.46⅛	Jan. 14
Flour	9.50	Feb. 27	7.25	Jan. 3
Coffee	.09 1/16	Jan. 3	.08⅜	Jan. 21
Sugar	.051	Jan. 26	.048	Jan. 3
Butter	.40	Jan. 3	.34½	Jan. 10
Eggs	.54	Jan. 25	.33	Jan. 10
Lard	12.75	Feb. 27	9.40	Jan. 3
Pork	26.50	Feb. 21	22.50	Jan. 24
Beef	16.00	Jan. 3	14.00	Feb. 9
Cotton	19.05	Jan. 4	16.45	Jan. 30

The World's Oil Situation and Its Effect on American Petroleum Properties

Scouring the Globe for the Supplies of the Future—Prospects in South America

By **BARNABAS BRYAN**

Editor's Note: The following article is the second section of Mr. Bryan's trenchant survey of the world oil situation, the first section having appeared in our issue of February 18th.

A VERY few men, probably three, two of whom are prominent Republicans could by agreement stop at once the mad race in which the oil companies in Mexico are vying with each other to drain the magic fields and dump their seven-cent product into their own United States, a criminal economic waste and a damning blow to the great oil industry of their own country. Yet any slur to their 100% Americanism would be highly resented.

The recent announcement as given in the *Times*, of three new wells at Cerro Azul is the most recent and striking evidence of this folly. Their "potential production" simply means the earlier exhaustion of that pool, for they in no way increase the total oil to be recovered from that pool. The cost of their drilling is therefore an economic loss.

In the enthusiasm of the announcement in the same paper of the new wells at Cierro Viejo and Tierra Blanca, several important considerations were not stated. Due to high pressure, the well is compared to Cerro Azul No. 4, forgetful of the fact that initial pressure no more shows the size of the pool below than steam gage pressure shows the horse power of the boiler to which it is connected. In relating Tierra Blanca to Cerro Azul the distance is probably by road and not by air line, while no reference is made to Potrero del Llano lying between or to Alamo near at hand. Had the discovery been made before writing, the comparison might just as well have been made to this new pool as to San Geronimo. When considering the uncertainties of these new pools, it is well to check the enthusiasm of a comparison to Cerro Azul by a comparison to Zacamixtle.

Future Oil Consumption

The assumption that growing supplies of crude oil are essential to modern civilization is based on false premises. The assumption that oil consumption will continually increase is only true on the assumption that fuel oil will continue to sell at less than two dollars per barrel. In judging the future rate of consumption several related industries must be taken into consideration. There is but one class of products derived from crude oil, for which we lack substitutes, ready to come into competition with oil when prices allow.

Lubricating oils are essentially all derived from petroleum but for exports and American consumption only represent four and eight-tenths per cent of American production. There is no known substitute supply of other material except for some special uses, but by new methods of refining, or by removing all lubricating oils from fuel oil, this supply can be enlarged to meet any conceivable demand for many years to come.

Of present American production only 27.2% goes into gasoline for both home consumption and exports. This may be

POSSIBLE OIL TERRITORY
NO OIL PROBABILITIES
DOTTED LINES INDICATE MOUNTAIN RANGES FORMING EFFECTIVE BARRIERS TO OIL TRANSPORTATION.

enlarged at will, through the practice of "cracking" wherein heavier oils are broken down into lighter ones. Should the price advance to any extent, alcohol from organic waste stands ready to compete as in Cuba today, or as a gasoline adulterant with naphtha from coal distillation.

Kerosene production in America represents 11% of American crude production. American consumption for ordinary uses is decreasing through competition from gas, electricity and acetylene. On the other hand consumption for internal combustion engines is on the increase and to this extent kerosene is the competitor of gasoline.

About 5% of American production is used for gas oil in the production of illuminating gas, but this is the product most frequently used for the manufacture of gasoline. During 1920 a crisis nearly materialized as regards gas oil. With city gas at one dollar per thousand and gasoline at thirty cents per gallon, the gas industry can only compete in price for that amount of gas oil which the refiner does not need. Coal gas can be used as a substitute for present day oil enrichment, but this involves a large investment.

A More Profitable Use for Natural Gas

As gas oil and natural gas grow more expensive, it will become profitable to use the natural gas for the enrichment of producer gas and water gas, rather than selling it straight to restricted localities. There will also come a tendency to lower the requirements of city gas to allow its cheaper production per heat unit. When that day arrives producer gas may be made at the coal mine and shipped to the cities for internal combustion power plants and for all heating purposes, including homes and offices.

Approximately half of American production is used as fuel oil; most of it for steam generation. Two-thirds of this amount is economic waste and a crime against conservation. In average good practice the steam engine utilizes less than 10% of the heat in oil or coal; the internal combustion engine makes use of over 30%. Diesel engines successfully use fuel oil. The success of this engine is clearly demonstrated by the German submarine, while its economical use of fuel is proven by its ability to criuse to the American coast.

A Possible Competitor to Oil

Four barrels of oil are the heat equivalent of one ton of bituminous coal, and, with but few exceptions, the use of either is plainly based on the cost of power. Oil at three dollars will yield ground to coal at less than twelve dollars, and the consumption of fuel oil will decrease. While there are many advantages of operation with oil, it is a very dangerous conclusion that these advantages belong only to oil. Oil with colloidal coal dust to the extent of 50% possesses more fuel value than oil alone, while the difficulties in its manufacture are not at all insurmountable. Coal dust burning only waits on a little financial backing to become a strong competitor to oil for all purposes, including railroad locomotives and steamships. As the price of oil opens our eyes to the truth the present difficulties with these alternative fuels will rapidly disappear.

When the cheap Mexican fuel oil must be fought for at higher prices, power users will cast longing eyes at the water power of the St. Lawrence River, and the selfish opposition to the Great Lakes ship canal will vanish. The interlinking of the power lines of the east will then become a reality and electric power will be carried over ever-increasing distances. The assumption

Bolivian barriers to the transportation of petroleum

the Orinoco valley to southern Brazil. Our great interior fields are in civilization, about the center of population of the country, and include the finest farm area of the world; the main possibilities east and south of the Andes include parts of the least known area of the globe, with difficulties of transportation which make the two thousand odd miles from Iquitos to the sea seem easy for parts of the Amazon valley. Our California fields are in a wonderful climate, with large markets at hand and cheap costs of development; north and west of the Andes all the difficulties of the desert or the tropics must be overcome to greater or less degree in a sparsely settled country.

In the Andes Mountains east of La Paz, Bolivia

that we must have fuel oil is as false as that the oil fields of America are inexhaustible. It is all a matter of the cost per horse-power hour.

South America

Nothing could be more typically American than our ideas regarding oil in South America, and in this statement are included many prominent oil men and companies. Because our own deposits are enormous, we believe that oil fields elsewhere must be just as large. We blindly assume that when our oil is gone, there is plenty more in the much-talked-of foreign fields and overlook the cost of bringing it home, which is vital to our main point of interest as a nation—*the cost of oil laid down in New York.*

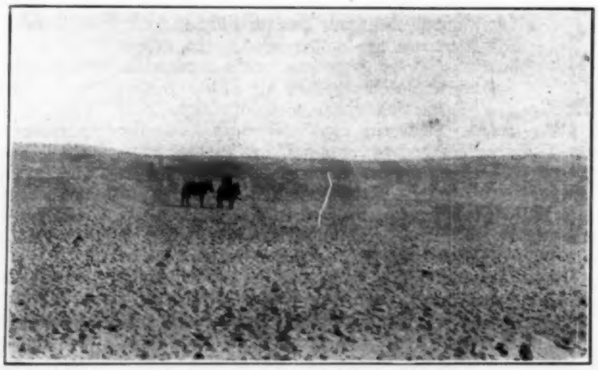
South America is far different from North America. **Nature has stored a hundred times more organic matter in the rocks of our country than in all of the continent to the south.** While coal is not necessarily related to oil, the ratio of coal in America to that in South America is an indication of the difference in storage of material from which oil could have been produced. South America imports most of its coal from England, America and Australia. In the matter of oil storage and structure, we likewise have an immense advantage.

In North America the ancient land mass, where there is little or no possibility of oil, extends northward from the Great Lakes, including Labrador and an equally inaccessible region to the northwest; in South America this area includes the accessible regions of the continent from

Further Differences

Then notice the differences in continental structure. From the coal areas of Pennsylvania and Virginia to the upper foothill belt of the Rockies, there is an immense area of gentle folding, underlain by oil-forming beds and suitable to the retention of most of the oil which was ever formed. In South America the old hardened land mass of the east forced the mountain-forming action to raise the Andes sharply around it on the west and north. These great mountains form a very effective barrier to development work from the Pacific Coast, while their precipitous rise from the sea prevented any but small fringing fields along the west coast. Compare these fields, including the Colombia-Venezuela region with the large producing territory tributary to the Gulf of Mexico.

The Caribbean area of deposition extends over much of Venezuela and Colombia, giving them their promise, but it fades away into the Orinoco valley to the eastward and somewhere about the northern part of Peru on the west. Then southward, along the Andes and throughout the possibilities of the southern half of the continent, the oil found in seepages comes from rocks of much greater age, while during the age of the Caribbean oil formations much of this area was covered by thousands of feet of sediments containing heavy brittle sandstone beds. Along the eastern coast as far as southern Brazil, and in some parts of the old land mass, some younger indications of oil are found, but in most cases the series of sedimentaries is too thin to allow proper oil formation and storage. The result is enormous deposits of oil shales along the coastal area and some minor possibilities of oil.



Near a supposed seepage in Chile

Difficulties of Tropical Development

Recently a man of large experience in foreign oil development stated that a new venture in the tropics costs from two to four times its cost in America. Perhaps there can be no better way of judging the conservatism of his statement than by recounting some of the author's experience in South America.

A flood of memories rush forward—of swollen rivers, of nights in the woods with mosquitos, of life made miserable by thousands of baby woodticks, of black gnats, leaving their red spots over hands and face, of long, tiresome rides through the heat of desert sands in the dry season, of long days and nights walking through unknown paths in the rain and mud, of the confusion of cutting roads through swamps and of weary oxen dragging casing through mudholes.

After long, expensive geological investigations, after replacing those men who cannot stand the hardship and resist tropical diseases, after costly surveys of land in swamp and jungle, after expensive negotiations with governments or landowners, after the payment of considerable sums to government for taxes and filing fees; in other words, after the expenditure of sufficient money to develop a good-sized oil field at home, then the actual development of a region begins.

When the first shipment of material for one particular job was being loaded, a drilling stem was carelessly dropped through the bottom of the boat, sinking her at her dock in New York and caus-

ing us much discomfort through the delay in the material for our first houses. When the first material did arrive, it was the midst of the wet season. Nevertheless we loaded it into little flat-bottom boats and took it to the river landing nearest the well locations.

A Slow Process

In the meantime two of the men had gone ahead to prepare for unloading and start the work of widening trails for the passage of ox carts. Later the three of us spent two days playing cards and watching the water rush by, before the floods subsided and muddy land came into view.

Then came the gangs with axes and machettes to clear the road. Rude log bridges were thrown across the little stream gulches. Five miles of road were cut. Ox carts crept up to the seepages with lumber and drilling material from home. Houses were built on the open hillside. Then the little portable rig arrived and the first standard derrick was erected by fussy drillers unused to tropic hardships.

In another instance a far more difficult battle was fought to reach a group of seepages fifty miles away. After careful investigation of possible routes, that chosen started in semi-swamp country, went through twenty miles of hard, prickly jungle, wound its way over fifteen miles of semi-open hills and then along the foothill belt of a mountain range through large partly open woods and scattered clearings made by settlers for cattle ranches.

More Difficulties

Gangs of laborers were organized, with one American to each ten miles of road, while still another gang cleared the land where the first rigs and houses were to stand. The houses were built of round logs, with floors of hand-sawed boards and roofs of palm thatch. Wells were dug at the camp and all along the road, for in the coming dry season water would be scarce and hard to get.

Then came the effort of moving material over soft, new, sandy roads with tractors. The wheels sank in the sand. Long delays were caused by lack of water. Almost every conceivable difficulty had to be overcome before the rigs were on the ground and the derricks erected.

Proportional hardships, costs, difficulties and delays must be endured in most tropical localities, as well as most of the other undeveloped fields of the world. In southern Argentine, where one or two more Comodoro Rivadavias may be found at high cost, the desert and lack of transportation must be overcome. On the eastern side of the Andes, even around to Trinidad, there are but one or two localities where the same difficulties are not even greater. In Colombia, the fields which today show promise are more than four hundred miles up the Magdalena in sparsely settled country.

Bringing Home the Oil

A recent story in one of the oil journals about oil in eastern Bolivia and barging it down the Pilcomayo, brings to mind the stories of pioneers in northern Argentine about their attempts to get down the river in a canoe and of the burning of this high-grade natural kerosene in the lamps at a big German cattle ranch on the Pilcomayo.

These men who have explored the lower reaches of the Pilcomayo have no hope of ever barging anything down to the sea. They know too well that in the dry season this mountain torrent loses much of its water in the flat desert, while it is fordable to burros as it comes from the mountains. Therefore, even admitting that eastern Bolivia is not another Calgary, Can., and that out in the flat some miracle of nature has made structure and brought the oil up within reach of the drill, it will have to be piped over hundreds of miles of desert, where elaborate preparations must be made to get across alive. Then it must be barged down the Paraguay before it can be put on a tanker, five thousands of miles from New York.

Swamps in which oil seepages occur on the west coast of Colombia

What will pipe lines cost under these and other tropical conditions? **Twenty-five years ago with cheap labor and materials, the 560 mile line from Baku to Batum, with eight inch pipe and 19 pumping stations cost $23,000 per mile. In California before the war they cost nearly $20,000 per mile complete. During the past two years a 20-mile line in Mexico with two pumping stations, cost more than $50,000 per mile.**

How much oil land must be developed to justify three or five hundred miles of pipe line in the tropics? Is it fair to stockholders to assume that three wells justify hundreds of miles and put it in on speculation? What percentage of companies have made money on this policy in Mexico with distances less than sixty miles? How will the capital investment of a four hundred and fifty mile line compare with the plant cost for getting an equal amount of oil from shale?

Venezuela Not Yet a Factor

In Venezuela, some favored fields near the lake or coast have a great advantage because of this. Yet even here, there are difficulties which will cost much money to overcome. The lake is closed by a sandbar, with only an unlucky thirteen feet of water at high tide and a channel barred by ironstone only fifteen feet under water, near the island of Toes. The lake shore is shallow for a half-mile off shore. Outside the bar, a strong trade wind blowing down the sandy coast will make a channel very expensive to keep open, even after it is dug by optimistic men. The same trade wind has prevented any good harbor outside, while it makes off-shore loading as difficult as on the coast of Mexico. This means a perplexing question whether to pipe the oil to the ocean, or barge it in self-propelled craft to Curacao as at present, or open a channel for tankers to the lake. It is not surprising that, after ten years of work, Venezuelan production is not a factor in the oil situation.

In Colombia, oil from the present fields must be barged down the river Magdalena or pumped through four hundred and fifty miles of pipe line to Cartagena. Assuming California conditions before the war, with important fields of long life to spread capital costs over many years, it will cost at least thirty cents per barrel to bring this oil through pipe lines to the coast. The capital cost for pipe lines would be one dollar per barrel per year. But Colombia is not California. Even if pipe can be laid along the river bank and crossings safely made over the bad spots, which is improbable, the barge service to put the pipe ashore, the bringing of men from the States, the establishment of camps for construction and pumping stations, and the cost of general maintenance will be a far different proposition from simply rolling the pipe off of flat cars. The real question is whether the cost can be kept within twice normal costs in the United States. Getting out 100,000,000 barrels per year would more likely cost one dollar per barrel and a capital investment twice as great as for shale retorting plants of equal capacity. Then, for American consumption the oil must be brought over eighteen hundred miles of ocean.

On the east coast the chances of oil to transport are very remote, while the interior of Brazil is as far from New York as the known and possible fields of the Argentine. Three-thousand-ton steamers can reach Iquitos on the upper Amazon and thus present the possibility of commercial success in that region. However, this oil is of small importance for American consumption, as it must be carried down more than two thousand miles of river and over 2,700 miles of ocean to reach New York.

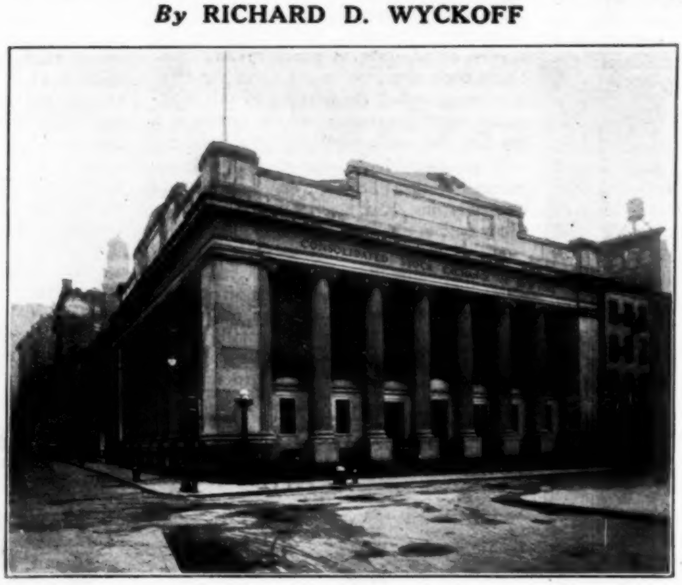
Central America

In Central America and the islands there may some day be some cheerful surprises, but at present the indications are decidedly against their ever becoming more

(Continued on page 642.)

Notes on the Bucket Shop Campaign

By **RICHARD D. WYCKOFF**



EVENTS clearly prove that the situation was right for the exposé of the bucket shops, and before it is over, Wall Street will be a better and safer place for the American investor. Failures, indictments, jail sentences, flights to Canada, investigations and expulsions are following in rapid succession and the end is not yet. Newspapers throughout the country are filled with bucket shop stories. Some of them are running two columns on the front page showing a few of the ins and outs of the bucketing business. It is a good thing, for thus American people will learn more about the dangers of dealing with irresponsiblehouses.

A few weeks ago I went to Detroit and attended a conference with the Attorney General of Michigan, the head of the State Securities Commission and the Detroit Stock Exchange officials. They decided to clean up Detroit and the State of Michigan. They have the advantage of a law under which all brokers are prohibited from doing business unless they are operating under a state license. That's where Michigan is one step ahead of New York, for if licenses are revoked, the bucket shops cannot continue to fleece the public.

It is difficult to understand why, in so serious a situation, the President of the Consolidated Stock Exchange of New York, Mr. Silkworth, should claim in an advertisement inserted by the Exchange, immediately following the announcement of the New York Stock Exchange's new policy, that

> "The Consolidated Stock Exchange of New York is a very old institution. Its regulations are ample to control the conduct of the Members in their transactions."

One need but run over the long list of Consolidated house failures, from Ennis & Stoppani, years back, to J. Frank Lilly in 1919 and so on down to the recent failures of J. D. Sugarman & Co., R. H. McMasters & Co., and numerous others, to disprove this statement.

It is claimed that that Exchange "has not contented itself with a negative attitude toward bucket shops and bucketshopping," and that in 1909, thirteen years ago, the Consolidated was active in drafting an anti-bucket shop law which was enacted and afterwards used as a model for similar legislation in other states. Section 592, since 1913, has made trading against a customer a felony. It might just as well not have been written. With this law in existence why did it require all of these nine years for the Consolidated Exchange to discover that the Sugarmans, the McMasters's and others were doing a bucket shop business on that Exchange?

Mr. Silkworth speaks of the remarkable increase of 101% in the number of shares handled on his Exchange during the past year. With all these Consolidated failures (they seem to be coming along at the rate of two or three a day as this is written) no wonder the volume of transactions increased during 1921, for without reflection on the Members of the Consolidated Exchange who do a legitimate business, it is plain that many of those who have failed increased the volume of trading by selling out their customers' stocks.

In justice to Mr. Silkworth and his Exchange, however, this must be said: They have recently announced that all of their Members will be investigated; that no one will be spared, and that the Consolidated Exchange intends to weed out all concerns guilty of bucketshopping. This is the most refreshing piece of news that Wall Street has had in a long time, and we hope it will not only be effective at the start, but that the proper supervision will continue to be exercised.

There is no reason why any house should fail if it is properly supplied with capital, is run on a business basis, executes the orders of its customers and carries its stocks, except under conditions such as in the panic of May, 1901. Then the decline was so sudden and terrific that if it had not been checked it would have caused many brokerage houses to fail. It was a physical impossibility for them to call and secure margin money in time to margin their own loans at the banks. But a case like this happens only once in twenty or thirty years.

A properly run brokerage house should be able to withstand a run even to the point where the last dollar and the last share of its customers' cash and securities are withdrawn; for it should then stand with its capital on hand, plus any profits accrued or less any losses sustained. After that, if it sees no way to recover its clientele it should go out of business. The mere action of closing up because people draw out their money, is in itself a proof of unsoundness and calls for prompt action by the authorities.

Probably no one will disagree with me now, in view of the developments of the past several weeks, that stock brokers should be subject to proper control. While there is no use raking over the past, it is obvious that if the New York Stock Exchange will take necessary steps to see what is being done with the quotations that emanate from its floor, it will undoubtedly be able to save a great deal of this mess.

The Consolidated Exchange is a secondary market and all its trading is done on the basis of the quotations which originate from the New York Stock Exchange and are posted on the board at one side of the Consolidated Exchange floor. Every member trades and executes his orders with one eye on that board, and every rally or dip which appears there is promptly followed by the traders who are endeavoring to catch "the nimble eighth."

As for the "market letter" houses, not members of any exchange, which advertise widely and cater to those who deal in listed stocks and are supposed to execute their orders on one exchange or the other, there is little or no reason for their existence.

As the Stock Exchange proposes to clean up its own house, let us hope that there soon will be one "floor" where the investor or trader from one share up can secure the proper kind of service. Then he will not be obliged to go elsewhere under the impression that he will get it.

At a recent conference, held at the office of the State Superintendent of Banks in Albany, and which some leading Senators and officials attended, we were discussing bucket shop legislation and I pointed out the futility of anyone not entirely familiar with Wall Street trying to frame legislation which would prove effective. It was admitted by those at the conference that the only real way to control the bucket shops was by national legislation, for it is of no avail to drive these outfits from one state to the other, where the laws are not uniform, and no proper control may be secured.

The situation is not one that is confined to New York City or the New York Stock Exchange or its connections. It is nationwide; and while the recently announced efforts of the big Exchange to clean up are very important, the real remedy must come from a bigger, broader and higher source.

District Attorney Joab H. Banton, of New York, says:

"Personally, I do not believe that State legislation, in itself, is adequate to end this evil. The solution lies in Federal

legislation as was recommended by the Treasury Department during the exposure of 1918, supported by uniform blue-sky laws in every State and aided by a National Vigilance Committee of representatives of every prominent financial, business, merchant and manufacturers' association or organization in the country.

"To accomplish this a conference ought to be arranged in New York to be attended by the Attorney General, the Federal and County District Attorneys, and representatives of the New York Stock Exchange, the Consolidated Stock Exchange, the New York Curb Association, the Investment Bankers' Association, the National Credit Men's Association, the Associated Advertising Clubs of the World, the Merchants' Association, and Chamber of Commerce to arrange for a national convention in Washington of the various blue-sky commissioners or a delegate appointed by the Governor to draft a national securities act and a uniform blue-sky law to be adopted by every State."

Congressman Luther W. Mott, of the 32nd district of New York, says:

"I am interested in any movement tending to curb the activities of these bucket shops, and will be glad to cooperate in any way that I can to bring about their complete elimination."

Senator Arthur Capper writes me:

"Your article on bucket shops is a tremendously interesting piece of literature. I am greatly interested in this subject, particularly in a possible program in the way of federal legislation. If you have anything in mind in that direction, I will be glad to hear from you.

"I understand the American Bankers' Association is proposing some legislation on this subject. I would like very much to know just what they have in mind. I am ready to support any such program on that subject."

HOW TO GET YOUR MONEY OUT OF A BUCKETSHOP

If you suspect your "broker" is likely to fail, don't wait for him to deliver or transfer your securities. Close them all out at the market price.

Then ask him for a check for your balance—part of it on the spot. He should pay you this as evidence of his ability to do so.

There should be no excuse for delay in full payment on the next business day, except Saturday.

Go there yourself and get the check. The more he evades it the more insistent you should become.

Stay there till you get it, and then have it certified.

If you don't get it promptly, call in a police officer.

Senator Ladd says: "For years I have been fighting as far as I have been able the bucket shops of the country and I am glad that a magazine of your standing has taken hold of the matter and hope that the bucket shop as an institution and all the evils of the character now associated with this will be wiped out of existence. They serve no useful purpose and are demoralizing in their influence, are destructive of the best interests of the people and are an evil that should be stamped out."

I have talked with many thoughtful men on this subject. I would like very much that the only way effectively to handle this situation is (1) to enact Federal legislation which will provide for the licensing of all brokerage houses and other concerns who are custodians of the public's funds; (2) limit the number permitted to enter the business; (3) establish certain standards of safety and conservatism in the financing and the operation of such houses, and (4) provide for a regular and systematic examination of their books. In no other way does it seem that a repetition of the abuses recently disclosed can be avoided.

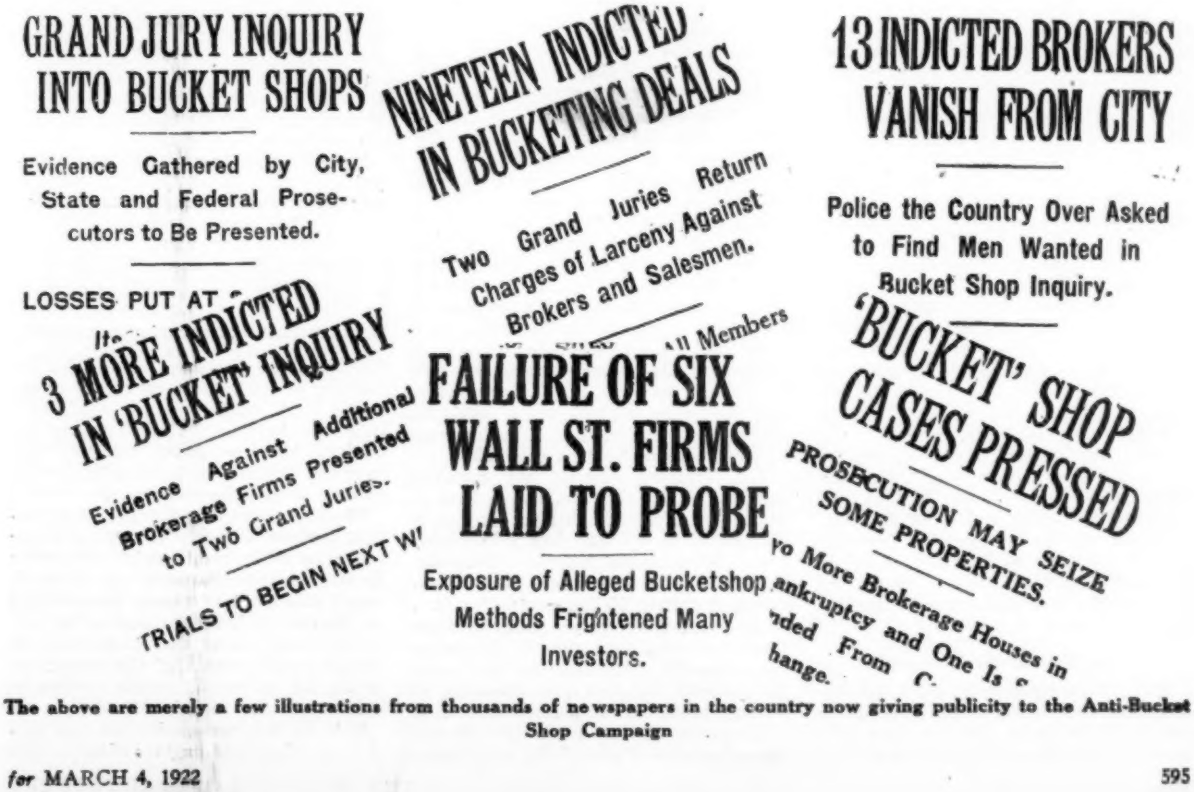
There should be a provision under which, if not already existing, authority should be given to Federal officials to examine into the affairs of these Ponzi outfits which spring up every now and then. Anyone who took the trouble to look into the activities of those who were recently caught at this game in Chicago, could have told many months ago what was going on.

* * *

As fast as one bag of tricks is uncovered, the bucketeers start on a new tack. When Lincoln Motors Company was bought out by Ford, the stock on the Curb became very active, selling up to $4 and $5 a share. The activity was occasioned by the purchase of a round amount out of this stock by swindlers, who, operating out in the country districts sold shares at a considerable advance in price on the representation that those who bought would be in partnership with Ford.

These crooks did a landoffice business near Detroit until the scheme was exposed in some portions of the Middle West, but

(*Continued on page* 655.)

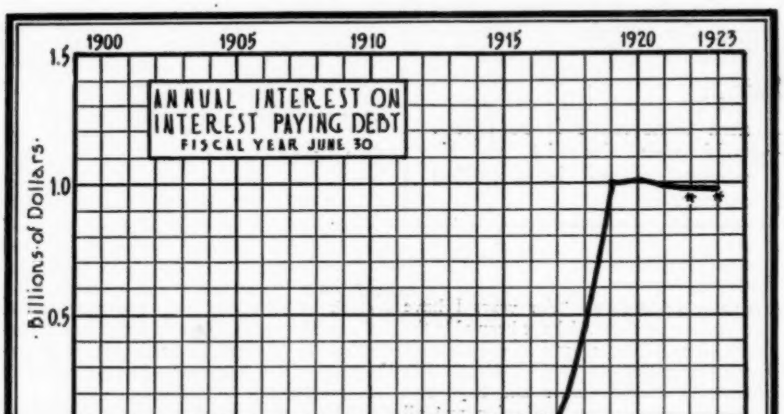


The above are merely a few illustrations from thousands of newspapers in the country now giving publicity to the Anti-Bucket Shop Campaign

How the Treasury Will Refinance the Short-Term Debt

The Maturing of Over $6,500,000,000 in Short-Term Securities Falling Due Within Fifteen Months Presents a Problem of Great Magnitude to the Treasury

THE gross public debt of the United States amounts to over $23,400,000,000. Roughly 70% of this debt constitutes long-term obligations, most of which were incurred during the war. No immediate problem is attached to the financing of these debts as they fall due in a number of years. It will be the problem of some future Administration. In the mean-time the outstanding Liberty loan issues and other funded debt can be provided for through the usual forms of taxation which would furnish the amounts required for payment of interest and sinking fund.



Of the $23,400,000,000 outstanding national debt, however, about $6,500,000,000 in the form of Victory Loan, Treasury certificates and Savings certificates mature within the next fifteen months—by April 20, 1923 to be exact. How to finance the payment of this tremendous debt constitutes a problem of unparalleled magnitude in the history of Treasury operations in the United States. When it is considered that this amount is in excess of the combined first and second Liberty loans, the task confronting the Treasury will be better appreciated.

Specifically, the various issues which fall due in the next fifteen months are: $3,500,000,000 Victory Notes, $2,200,000,000 Treasury certificates and about $700,000,000 War savings certificates. The Victory Notes fall due May 20, 1923; the Treasury certificates mature within the year and the War savings certificates fall due next January 1.

The Plan of the Treasury

If the Treasury had six and a half billions cash in its vaults in excess of its requirements, it would obviously have sufficient to retire the entire short-dated debt. There would consequently be no problem to be faced. As is commonly known, however, the state of the public treasury is not such that these debts can be redeemed through payment of cash. The only method open to the Treasury is to gradually reduce the amount of these maturities before they fall due (which can be done provided governmental expenditures are further reduced) and issue short-term securities of from one to three years to take care of the other short-term obligations to be called in. This involves a very delicate financing machinery, and if the Treasury can manage to finance this huge amount in short-term debt it will have accomplished a very great achievement in the annals of finance.

The outstanding Victory Loan of $3,580,000,000 is entirely too large to be paid off at one time or to be refunded. The refunding of this debt on a long-term basis would involve the issue of an equivalent amount of long-term bonds, and it is a question if the investment market is in a position to absorb such a large amount. This could be done in war-time, when patriotic fervor ran high, but it would be patently a difficult thing to do under present conditions of business depression.

The Treasury officials are certainly cognizant of this situation, for we have at no time been informed that the short-term debt would be refunded into a long-term debt. In a recent letter to Chairman Fordney, of the Ways and Means Committee, Secretary Mellon says: " . . . It will be the Treasury's policy to issue short-term notes from time to time when market conditions are favorable and to use the proceeds to effect the retirement of Victory notes, and to accomplish this, if they cannot be had otherwise, through the redemption of part of the notes before maturity." This statement referred directly to the Victory Loan, but in a subsequent part of the same letter the Secretary maintained that the same policy would be followed with regard to the $2,200,000,000 outstanding. Treasury certificates and $700,000,000 war savings certificates.

The announced policy of the treasury, therefore, is to refund the bulk of the maturity before January 1, 1923 into other short-term securities.

These methods suggest that the Government does not yet feel itself in a position to undertake the refunding of its $6,500,000,000 short-term debt on a long-term basis. As suggested above, it would be impossible to float such a large issue at the present time or, very likely, within the time in which the maturities fall due.

The Progress Already Made

The extent of progress already made by the Treasury with regard to the reduction of the public debt will be appreciated more fully upon examination of the accompanying table showing a reduction in the floating debt from $3,200,000,000 in June, 1919, to $1,900,000,000, the current sum. This, it will be seen, represents a very considerable reduction.

Since August, 1919, the public debt has been gradually reduced through curtailment of national expenditures. With the budget system operating efficiently, it is hardly credible that the Treasury will permit itself to be swerved from its avowed course of reducing the national debt. In the past thirty months the Treasury has been floating a constantly decreasing volume of securities.

Through financing its requirements on this basis, the Treasury has avoided the necessity of calling for new money or absorbed funds, which otherwise would have gone into business. Thus Treasury operations have proceeded smoothly and have not affected the business life of the country in an unfavorable way.

REDUCTION IN FLOATING DEBT

June 30, 1919	$3,263,766,000
June 30, 1920	2,485,550,000
June 30, 1921	2,450,601,000
Oct. 30, 1921	1,932,218,000

The improvement in the Treasury position, however, can only be ascribed to the reduction in the public debt. **Were the Government to increase this debt, it would take up new money, there would be danger of inflation, higher interest rates would result and ultimately we should face a return of the conditions which led to the disastrous decline in business in the period 1920-1921.**

It is for this reason that the best eco-
(*Continued on page* 654.)

Foreign Trade and Securities

World Debt Doubled in Three Years

Printing Presses Kept Busy Supplying the Deficiencies in National Revenues—The Effect on "Exchange"

THE accompanying graph gives a very good picture of the actual financial condition in many of the principal European Governments. It will be noted that the Central European Governments, including Poland, are in the worst position of all. Generally speaking, the finances of the defeated nations give an extremely unfavorable comparison with those of the victorious nations in the recent war. Not only is this conclusion inescapable but events during the past year have shown that the allied nations, with the exception of Poland, are gradually pulling themselves together, financially speaking, whereas nations like Germany, Austria and Hungary are very rapidly nearing the end of their resources.

The figures on which the graph herewith is based refer specifically to the budget deficits incurred by the respective countries in the past three years. It had been foreseen, of course, and even acknowledged by the finance ministers of the countries most seriously affected that the debts of a number of nations would increase as a result of the increase in "budget deficits." i. e., increase of national expenditures over receipts.

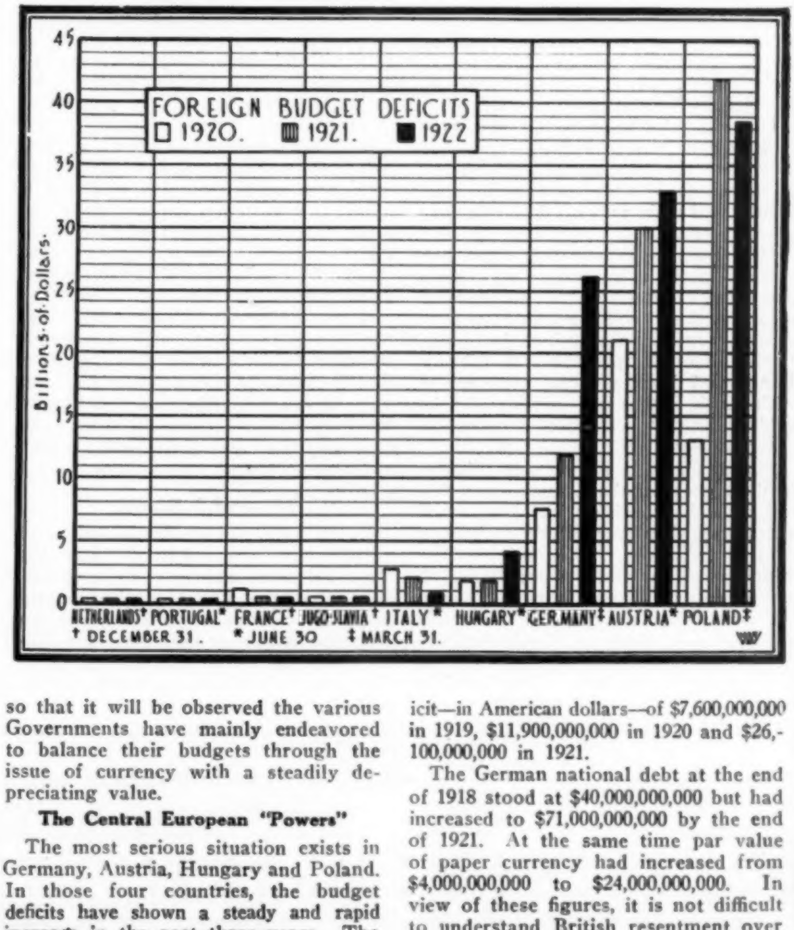
Coincident with the extension of such budget deficits—and as a means of temporarily alleviating the situation-paper currency since the war has reached staggering and unheard of proportions. The printing-presses have been assiduously at work in Europe since the past three years and the result, naturally, has been a tremendous fall in exchange values. In turn, the reduced purchasing power of nations, as reflected by the depreciated value of currency values, resulted in the compulsion of large advances in expenditures materially increasing the budget deficits over and above the amount originally estimated.

The net result of this situation is that where budget deficits have increased, the national debt and paper currencies have increased in proportion. It is significant that where the world debt at the close of the war stood at $200,000,000,000 by the end of 1921 it had amounted to almost $400,000,000,000—an increase of nearly 100%. In view of such a staggering increase in the world debt, it is obvious that unless the countries most affected are placed on a sound basis, financially, either through their own or foreign efforts, the result must necessarily be a collapse of their financial machinery.

The Means Adopted

The chief means adopted by European nations toward meeting budget deficits, as mentioned above, has been the printing of paper currency to supply the deficiency. For example, the increase in world debt since the close of the war has been about $200,000,000,000.

At the same time, there has been an increase in national debts and paper currency of about $250,000,000,000. The major part of the last figure quoted has consisted of additions to paper currency so that it will be observed the various Governments have mainly endeavored to balance their budgets through the issue of currency with a steadily depreciating value.



The Central European "Powers"

The most serious situation exists in Germany, Austria, Hungary and Poland. In those four countries, the budget deficits have shown a steady and rapid increase in the past three years. The only one of these four nations to show any recuperative financial power is Poland which reduced its budget deficit from $4,326,000,000 in 1920 to $3,860,000,000 in 1921—small encouragement in the face of such an enormous deficit.

In Austria, the deficit sprung from $2,100,000,000 in 1919 to $30,100,000,000 in 1920 and $33,000,000,000 in 1921—truly fantastic figures. However, these figures are based on par value exchange of the Austrian kroner so that the results are obviously grossly exaggerated when reckoned in American dollars. Nevertheless, they contain a certain value as indicating at least the trend of the Austrian deficit.

In Germany, conditions are about as bad. In that country there was a deficit—in American dollars—of $7,600,000,000 in 1919, $11,900,000,000 in 1920 and $26,100,000,000 in 1921.

The German national debt at the end of 1918 stood at $40,000,000,000 but had increased to $71,000,000,000 by the end of 1921. At the same time par value of paper currency had increased from $4,000,000,000 to $24,000,000,000. In view of these figures, it is not difficult to understand British resentment over the callous policy of France with regard to German reparations payments.

The financial situation in Hungary is about as chaotic as that existing in

(*Continued on page 642.*)

French Bonds As Investments

What the Increase in Territory and Population Means to France — Public Debt — More French Bonds to Be Offered

***By* THOMAS B. PRATT**

FROM an investment standpoint the American public's education has been limited largely to corporation securities. This education has centered on such factors as security, marketability, yield and earnings. Consequently the product of the corporation, its management, its good will and other factors of that character have assumed importance in the distribution of corporation securities to the American investor.

Since the war, however, the investor in the United States has broadened his viewpoint and has become in fact an international investor. This has entailed not only larger responsibilities on the part of the underwriting banker, but it has also necessitated a broader vision on the part of the investor. Up to the present, practically all foreign financing in the United States has consisted of securities of governments or subdivisions of governments, such as states and municipalities. The investor's previous education in investments has been of little avail in considering the merits of foreign government securities, for there are other factors that determine the standing of such securities than those that we have become accustomed to in judging domestic corporation securities.

It is true, of course, that there are more American investors who have purchased United States government securities than there are who have purchased corporation securities, but practically all of the purchases of Liberty Bonds and Victory Notes were made with motives that are not usually in evidence in the purchase of corporation securities.

Patriotism was an important element in the success of the Liberty Loan flotations and advertising was used more extensively than ever before in the sale of such securities. The necessity for winning the war and the importance of raising money through bond issues for the government permitted the expenditures of vast sums of money for advertising and publicity during the Liberty Loan campaigns. No barking house could afford to attempt to duplicate such campaigns in the sale of their ordinary offerings because of the small profit that such offerings carry.

Foreign Government Securities

In foreign government securities there are two factors outside of yield and maturity that predominate. These factors are the ability of a country to pay its debts and the willingness of a people to meet its foreign obligations. And of these two factors the latter is generally the more important. **In judging a foreign government security, therefore, it is essential, first, that the record and character of the people be studied and, second, that the economic conditions of the country be considered.** Under the first heading must be considered the attitude of a nation towards its foreign obligations during a period when every possible obstacle is placed in its path to prevent it from meeting its obligations. Such obstacles may be unfavorable trade factors, an unsound financial system, currency inflation or excessive debt in proportion to population.

If a nation has met such tests as have just been enumerated and has recovered from such obstacles with colors flying, it is certainly entitled to all the credit that can be extended to it. On the other hand, however, there are constantly developing world economic tendencies that are apt to change the course of history, to wipe out old trade routes and dispose of old theories of economics. It is essential, therefore, that the investor give consideration not only to the willingness of a nation to meet its foreign obligations, but also to its ability to do so judged from existing economic conditions.

The French Record

It has been said of France quite frequently since the end of the war that she could never recover from its effects. It is certain that France has had mighty poor advertising in the United States since the Armistice and there has consequently grown up a misconception of that country's ability to recover from the effects of the war and this has been reflected in the position of her bonds in the American market. This has also handicapped to a considerable degree the distribution of new French issues in the United States. Most of them have been sold to investors much more slowly than other foreign government securities and the yields on French securities are considerably higher than those of some other countries that cannot point with the same degree of pride to the wonderful debt record of the French Republic. It is true, of course, that France expected to recover a fair proportion of her expenditures and the cost of reconstruction through the German Reparations. It is true that some of her best provinces were practically laid to waste during the war, that she lost over 1,300,000 of her most able-bodied men, with twice as many wounded, that she has been compelled to go into debt to the extent of 300,000,000,000 francs and that her revenues today, after three years of peace, are still inadequate to meet her expenditures.

But on the other side of the ledger must be placed the story of France following the downfall of Napoleon. Germany, the victor at that time, not only took Alsace and Lorraine away from the country, but demanded an indemnity of $1,000,000,000 and the German army was to remain on French territory at the expense of France until the claim was met. The total cost of that war to France, outside of the destruction of property and the interruption of commerce, was over $1,300,000,000, which at that time seemed even more appalling than the French debt today. In fact, the indemnity demanded by Germany was made with the idea of ruining France forever so that she could no longer be a menace to German hopes and ambitions. It only took France about fifteen years to practically extinguish that debt, and forty years to become the industrial leader of Europe.

On the same side of the ledger we must place the restoration of Alsace-Lorraine, her vast colonial domain and the huge increase in natural resources

PRINCIPAL FRENCH INTERNAL ISSUES

Name	Rate %	Year of issue	Issue price %	Interest dates	Maximum yr. of maturity	*Amount issued francs	*Amount outstanding francs	Present price per fcs. 1000	Approx. income	Potential profits
French Perpetual Rentes......	3	1886-7-01	79.80 / 92.55 / 100	J-A-J-O	No fixed date	21,922,217	19,745,460	$60	4.2%	$133.00
French Redeemable Rentes....	3	1878-1884	80.50	J-A-J-O	1953	4,254,146	3,039,569	65	4%	128.00
French Redeemable Rentes....	3½	1914	91	F-M-A-N	1915-1929	884,614	25,050	79	3.90%	114.00
French War Loan of 1915......	5	1915	88	F-M-A-N	After 1931	15,204,959	15,204,959	70	6.2%	123.00
French War Loan of 1916......	5	1916	87.50	F-M-A-N	After 1931	11,508,000	11,508,000	65	6.78%	128.00
French War Loan of 1917......	4	1917	68.60	Feb.-Aug.	After 1943	15,100 000	12,961,300	53	6.54%	140.00
French Liberation Loan of 1918	4	1918	70.80	J-A-J-O	After 1944	30,465,875	30,465,875	58	6.20%	135.00
French Premium Loan, 1920...	5	1920	100	May-Nov.	1980	15,730,000	15,580,000	77	5.70%	212.50
French Interral Loan, 1920....	6	1920	100	June-Dec.	After 1931	27,888,417	27,888,417	78	6.70%	118.00

*(000 omitted.)

that came to her as the result of her victory over Germany. The actual increase in territory is 580,000 square miles, which is over twice the area of France itself. Her population, including that of her colonies and dependencies, has been increased by over 12,000,000, her coal reserves by over 18,000,000,000 metric tons, her iron ore reserves by nearly 2,000,000,000 metric tons and her potash reserves by 300,000,000 metric tons.

Another element in the future of France that must not be lost sight of is the fact that the war taught her many lessons in the use of machinery, both in agriculture and in industry, **and that she will be able to produce from her wealth a far greater percentage of income in the future than in the past.**

Public Debt of France

In examining the debt figures of France, the dark side of the picture is disclosed. This is particularly true when the debt is considered in connection with the French national expenses and the present revenue. The French debt has increased about ten times since the war started and it has doubled in the past three years. Prior to the war it was approximately gold francs 33,000,000,000. Present estimates vary considerably, but it is at least 300,000,000,000 francs. This figure, however, cannot be considered in the same light as the debt before the war, but whereas that debt was all in gold francs, the present debt has been created to a large extent with the franc very much depreciated in value. The wealth of France has been estimated at about 500,000,000,000 francs. Her income in 1920, according to the Secretariat of the League of Nations, was 128,000,000,000 francs, and of this amount there was saved in cash and reinvested over 33,000,000,000 francs. In other words, over one-quarter of the gross income was reinvested.

At the present time the French Government is beginning to balance its budget and there has also been a material improvement in French foreign trade. There has been a material decrease in imports and a gradual increase in exports. Of the French debt, about 34,000,000,000 francs is foreign debt.

The improvement in the French situation has been reflected during the past few months in the advance in the foreign exchange market for the French franc, and this has in turn increased the value of the French bonds in the United States. The recovery of the French franc to normal depends upon the ability of the French Gocernment to keep its budgets balanced, to reduce its outstanding currency and consequently its floating debt, and upon the ability of the people of France to produce more than they can consume. France is slowly but surely reaching toward this end.

French Bonds

It will be noted from the tables accompanying this article that the French Dollar Bonds are still on a high yield basis. Many of the 8% issues of other countries that were brought out at the end of 1920 and the first part of 1921 have advanced from 10% to 15% in price. The French 8s are selling at the present time only two points above par or on a 7.78% yield basis. Whereas many other countries are at present able to obtain credit in the United States at from 7% to 7¼%, French credit remains around 8%.

New French internal loans, however, are being brought out in France at a little over 6% and are readily absorbed in France at that rate. The reason for the failure of French bonds to advance in the United States is ascribed to the fact that the recovery in France has been much slower than in other countries owing to the fact that the French recovery has been delayed by the failure of Germany to make reparations payments according to schedule. With a definite program established at the coming Economic Conference, France will be able to make her plans on a more scientific basis and her recovery should be accelerated to a considerable degree.

The most popular French internal loan in the United States is the French Premium Loan of 1920. This loan pays interest at 5% and is redeemable by semi-annual drawings of 25,000,000 francs each, at 150% of the par value. This loan is now selling in the United States at approximately $77 per franc 1,000. There is a possible appreciation in principal on this bond of $212.50. This appreciation, however, would only occur should the French franc return to normal by the time that the bonds are drawn. However, drawn bonds may be held for thirty years. It will be noted that a few of the French internal issues listed on the accompanying table provide very small incomes. This is due to the high price at which these bonds are selling in their own country. The three issues in this class were all brought out before the World War started. They are closely held in France and for various internal reasons sell higher than issues brought out after the war started.

Lottery Bonds

There are quite a number of French lottery issues, both of the government and municipalities. Lottery bonds are legal in France, but they are not legal in the United States. Notwithstanding this, however, a considerable number of American buyers hold such bonds and many of them have purchased them in ignorance of American laws on this subject. There are few New York banking institutions that have not had these bonds sent in to them by out of town customers with instructions to sell them or to collect interest on them. In many cases this has put these institutions in an embarrassing position. Not only are they not permitted to deal in them in any manner but, strictly speaking, they are not permitted to send them back to their customers, for the reason that it is illegal to send such securities through the mails. Most institutions have requested the owners of such bonds either to call for them or to authorize some friend to call for them and in this way they are relieved of the responsibility of having them in their possession.

It is quite likely that a number of interesting French franc bonds will be offered in the United States in the near future. For example, there is a bill under way for the reorganization of the Banque Industrielle de Chine, which is now in receivership. A loan of 400,000,000 francs is proposed, which will be offered in the United States and France, the proceeds of which will be used to pay claims against the bank.

It is also likely that there will be a number of French Colonial loans offered in the United States, as these colonies require considerable financing to put them on a basis where they can best assist France in her reconstruction.

RECOVERY IN FRANCS

The following table, compiled by the Federal Reserve Bank of Philadelphia, shows the recovery in foreign exchange rates, particularly of French exchange, in recent weeks.

	Feb. 20	Jan. 20	Net changes	Percentage of change
London	$4.3919	$4.2092	+$.1827	+ 4.3%
Paris	.0915	.0810	+ .0105	+13.0 "
Antwerp	.0870	.0776	+ .0094	+12.1 "
Copenhagen	.2078	.2001	+ .0077	+ 3.8 "
Stockholm	.2651	.2493	+ .0158	+ 6.3 "
Madrid	.1589	.1490	+ .0099	+ 6.6 "
Amsterdam	.3800	.3643	+ .0157	+ 4.3 "
Buenos Aires	.8337	.7632	+ .0705	+ 9.2 "
Shanghai	.7115	.7370	— .0255	— 3.5 "
Berne	.1949	.1943	+ .0006	+ .3 "
Milan	.0504	.0435	+ .0069	+15.9 "
Berlin	.004424	.004948	— .000524	—10.6 "
Vienna	.000241	.000313	— .000072	—23.0 "

Future of French Bonds

Indications today are brighter than they have been in a long time for a decided improvement in the French financial situation. The air has been cleared to some degree of the uncertainties that have existed, the Genoa Conference will doubtless bring about important reforms and as soon as some definite measures are taken whereby French currency inflation may be halted and reduced and reparations payments placed upon a basis where they are sure to be paid, an international loan might be floated which would be guaranteed, principal and interest, by several governments and the proceeds paid in gold to those nations that were most vitally affected by the War and whose banking systems require the gold for currency purposes. There is nothing in the French situation that cannot be worked out, particularly in a nation where the people have the will, industry and ability for which the French are noted.

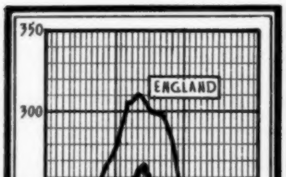
Money, Banking and Business

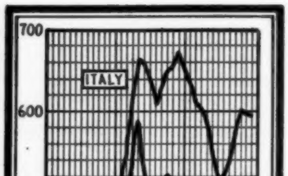
Price Movement And Its Relation to Business

Differences in Price Movements Between Different Countries

Article II

A REVIEW of the astonishing price movement both in commodities and securities which have taken place both during and since the close of the European war, makes a powerful impression upon the mind of any student of business and financial conditions. This impression is, however, greatly deepened when it is realized that the movement of





prices has been quite different in different countries and that one of the results produced by the war is not merely the world wide dislocation of banking and currency but the corresponding or parallel dislocation of prices. Never before, in the whole course of modern economic and financial history, have so many countries been obliged to abandon the specie basis of currency and banking, and never before have demands been so sharply brought to bear upon the banks of the various countries in the effort to have them supply by means of their own credit the necessities which would ordinarily have been made through the placing of loans with individual investors.

Series of Local Prices

The truth is that instead of having a system of world prices differing as between different countries largely as a result of differences in position (nearer to or farther from the region of the producing point) or of differences in taxation and tariff rates, we have had within recent years a series of different prices, each country developing a price system of its own, whose relation to that of others was either not traceable at all or very remote in its bearing. Naturally, the widest differences or variations have been seen as between those few countries which managed to remain upon a specie basis and those in which resort was had to unlimited legal tender issues put forth by the government. Of such countries we may take as a type of the specie-paying, the United States, and as a type of the extreme legal tender paper countries, Russia. Intermediate between these two groups of countries, however, have been many gradations of non-specie monetary standards. In Great Britain there has at all times been present a substantial quantity of gold, and while the free gold market which was characteristic of Great Britain before the war, was early in the struggle abolished, all movement of specie being subject to control, the fact that Great Britain was unquestionably in position, given a favorable scale of foreign commerce, to restore specie payments, has tended to keep the value of her currency at most times within a fair distance of normal or prewar par.

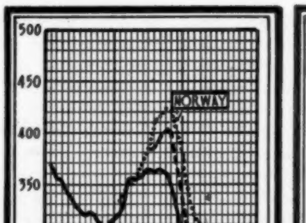
Contra-distinguished from Great Britain in this regard, have been those countries on the continent of Europe in which the supply of gold had been reduced almost to the vanishing point, and in which, therefore, the future value of currency was highly problematic and dependent upon the ability of the government to fund its floating debt into long term bonds or to restore redemption, or both.

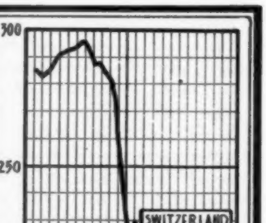
Case of Germany

An example of this kind is furnished by Germany, a country which has been active industrially and which has shown amazing ability to restore her export capacity, but which nevertheless, as a result of heavy war and post-war claims has gone from bad to worse in the matter of bank solvency. Not so far down in the scale, but characterized by some of the same conditions, have been France and Italy, whose currencies have been greatly inflated and have consequently dropped materially in value. The price system in all of these different countries has been affected by special local conditions and has suffered in differing degrees. International trade has been correspondingly interfered with, and the decline of such trade must be attributed not merely to the inability to get capital in sufficient quantity, to which reference is so often made, but to the uncertainties of commerce between countries whose standards of values were subject to the extreme fluctuations that have been suffered ever since the close of the war or a date shortly thereafter. All this makes a situation which is of first importance for the student of prices and of business as well as for the dealer in securities. It is not only a matter of academic or theoretical interest but of fundamental practical significance.

Facts in the Situation

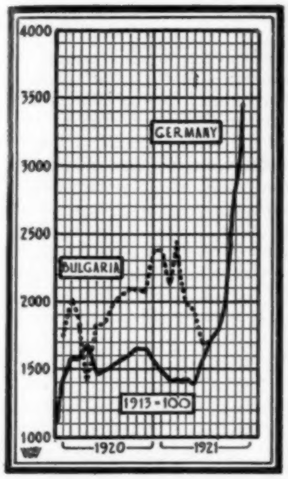
It is worth while first to look with some care at the general facts in the situation as they have been carefully assembled for the purpose of forming as clear an idea as possible of the lines along which prices have moved in the various countries. The accompanying list of index numbers, compiled by the Federal Reserve Board monthly through cable quotations, will show the comparative wholesale price levels in the principal countries of the world:

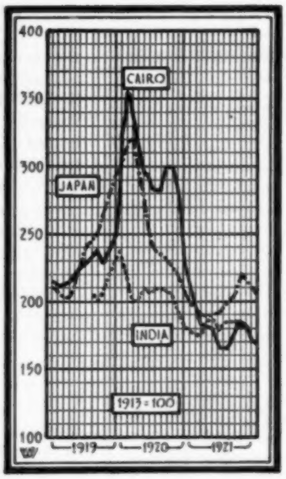




Causes of Divergence

One view of the causes of this great divergence between prices in different countries has been furnished by Prof. Gustav Cassell in a report recently prepared for the Skandinaviska Kreditaktiebolaget. Prof. Cassell says that "So long as all the countries in the world had a gold currency there was a certain defi-





nite connection between the internal values of the different currencies, i. e., between their purchasing power in the several countries. No great changes in the level of prices in one country were then possible, insofar as the level of prices in the other countries remain constant. A rise in the level of prices in one country would then have signified a lowering of the valuation of gold in that country below the normal equilibrium, and gold was then bound to flow out of the country. Nor was it possible for the level of prices to be lowered to any considerable extent, as excessively low prices would have led to an influx of gold into the country and the added purchasing power thus acquired would have forced up the level of prices. A general rise in prices all over the world was naturally possible and actually occurred in times of boom, but was then equivalent to a temporary reduction in the value of gold uniform for all countries. Such changes in the value of gold were however possible only within comparatively narrow limits, so long as no change occurred in the world's supply of gold."

This view of the price situation depends very closely upon what is ordinarily called the quantitative theory of money; but within limits is of course strictly enough true. It illustrates, at all events, the underlying factor which kept prices at a relatively uniform level all over the world. Conditions changed, as already noted, so soon as the various countries abandoned the specie basis owing to the war situation and permitted their own internal price levels to shift to a non-specie paying footing. The effect of this change in the world situation was to bring it about that modifications of prices in one country did not directly affect movements of goods. In consequence an interesting question vitally important for the study of foreign trade movements has presented itself in the form of a problem: Is there any general condition or set of conditions which at the present time control or influence movements of prices simultaneously, or has the world at large reached a position in which goods values are entirely uncoordinated? A survey of prices during the past few years does, however, seem to show that a peak in the upward movement of values was reached by several countries at somewhat the same time; and, as a result, various authorities have adhered to the view that there are still common factors of price control.

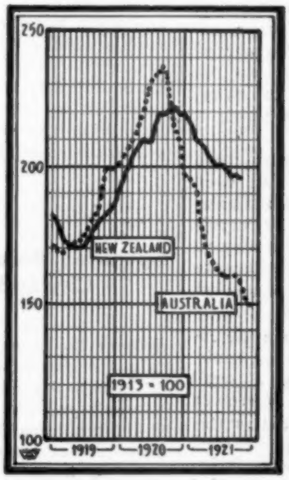
Changes in Goods Side of Price Equation

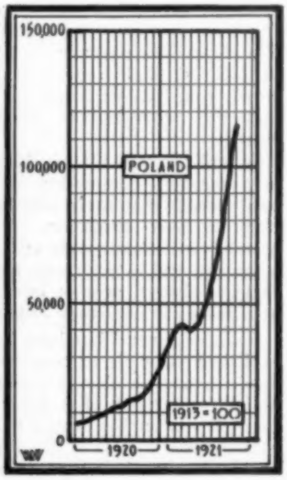
These common factors, however, such as they are, proceed almost entirely from the goods side of the price equation. On the other hand, large sales of Government property accumulated for war purposes and then disposed of effect to control the extension of credit by the use of changes in the discount rate, and shifting of demand due to changes in the direction of employment have been generally effective in producing a rough correspondence of values. These have, however, been offset in no small degree by changes in the credit policy of the different countries, by the issue of legal tender notes, or of irredeemable bank notes in varying volumes, and in various other ways. All told the study of the price equation,—the relation of money to goods,—while still able to recognize several common price factors in the different countries of the world has fallen back upon admission that there exists a different combination of factors in different countries.

This is a situation of fundamental importance both to the business man and to security holders because it has rendered impossible accurate forecast of relative competitive power, based upon recognized cost of production which determine the conditions under which given articles could be sold in neutral markets. In addition to this it has also tended to change the basis of international investment. Those countries with a rapidly rising price level have naturally offered the investor a much greater prospect of profit through the purchase of stocks, while those with a declining or stable price level have presented the better opportunity in connection with the purchase of bonds. Investors in German industry who bought bonds stated in terms of marks a year or two ago, now have a security whose value is very problematical, and which has depreciated greatly since they were purchased. Investors who purchased stocks in Germany are in a different situation, because they are the owners of a proportionate share of actual fixed property. The effect of this state of things has been to tend to shift the basis of international borrowing and to bring it about that international loans are stated much more generally in terms of some one of the more stable currencies such as dollars or pounds sterling. Even this, however, throws upon the borrower an extreme degree of responsibility, because it makes him liable for changes in international currency values. This is a direct outgrowth of the instability of money, and of the disturbance of prices. The effect of it has been to destroy uniformity in the yields of capital (rates of interest or dividends) in the various parts of the world which formerly competed with one another.

Competitive Basis of Prices

The future development of prices upon some competitive basis in international trade is thus seen to be fundamentally necessary to the restoration of business to a normal position. What will be the trend of these prices in relation to one another? As already often observed in other connections, it is quite out of the question to forecast the direction of prices themselves, and those who undertake to do so merely claim an ability which no human power can exercise. The analysis of underlying economic conditions for the purpose of showing their probable effect on prices is of course not only feasible but necessary, although the absolute forecasting of price trends is as much out of the question today as it ever was. There is





a somewhat different situation, however, in regards to the question of prospects for the equalizing of price levels between different countries. As to that, it is entirely possible to state the conditions that will govern the future trend of development.

As already stated, the fundamental cause for the divergence of prices from

(*Continued on page 650.*)

The Modern Way of Financing Commodities

Bankers' Acceptances Cheapest for the Borrower and Safest for the Banks—An Ideal Investment for Idle Funds

By CHARLES E. HENWOOD

Manager of the Acceptance Department, Elkins, Morris & Company, Philadelphia

COMMERCIAL banks hold vast deposits payable on demand. Because these deposits are payable on demand it is a fundamental principle of commercial banking that the bank's loans shall be self-liquidating.

To be self-liquidating implies that the money when borrowed by individual, firm or corporation, shall be used in the financing of the production, manufacture or distribution of commodities. **Thus, commodities from production to consumption by the ultimate consumer are the only proper investment for commercial bank funds.** It will readily be seen that the banks, by the discount of credit instruments, in effect carry, with deposits of the public, the burden of production, manufacture and distribution.

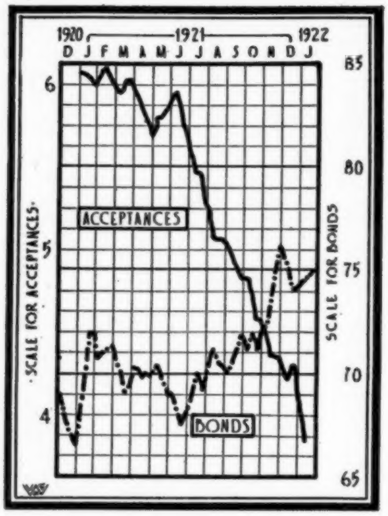
While consumable commodities are moving toward final consumption they are, under our banking practice, a proper medium for bank loans. And in accord with this principle the bank loan is inherently safe because the credit instrument the bank holds, is but a convenient symbol representing a like amount of a commodity necessary to society. For example, a bank may have in its portfolio discounted bills to the amount of $1,000,000. The banking principle would imply that in effect the bank held paper representing necessary commodities that with the seasonal demand would be consumed, the loan paid and the credit canceled. The $1,000,000 paper would be a convenient symbol representing cotton, wool, iron, lumber, sugar, oil or manufactured products, as certain of a market.

It will be seen that as long as there is a tangible commodity behind each bank credit, that there will be no inflation or over extension. The credit merely represents goods on the way to a market, and is inherently safe because there is always, now or later, a market at a price for necessary goods.

Such in general has long been the established principle of commercial banking. And a banker scanning a semi-annual statement of a large borrower has felt reasonably secure if that statement showed a ratio of $2 of quick assets to $1 of quick liabilities, because it indicated a liquid position and certified on its face that borrowed money has not been placed in fixed assets, but is used for carrying merchandise or accounts receivable.

Acceptances Make Banking Conservative

But with the advent of the acceptance privilege in our banking practice, a great step forward has been made in that which makes banking safe and conservative. For the Bankers' Acceptance is a credit instrument that has definitely behind it tangible goods, and assures the banker that the money is being used only in accord with banking principle. He is given actual title to the goods his money has purchased.



The great advantage of such a credit instrument is readily apparent. Paper backed by goods, being inherently safe, is entitled to the lowest discount rate, and when accepted by a prime bank is readily absorbed by the Discount Market, which being financed by the Call Loan Market, is the cheapest market in which to borrow. The commercial borrower who is able to finance his needs through acceptance credits, has the great advantage over a competitor of borrowing in a market that competes to lend him money at the lowest rate. Because credit risk is virtually eliminated, and all money tends to flow to the best market, he will find that he can borrow practically in the world's lowest money market. If London has a lower rate than New York, London funds flow to New York. If New York has a lower rate than Philadelphia, New York will readily absorb Philadelphia bills, to the marked advantage of the borrower.

A Valuable Index

The creation of the Bankers' Acceptance form of credit is of the utmost significance to American banking, in that it places the goods definitely and tangibly behind the credit instrument. It is of the utmost significance to the business man, because he may obtain credit at the world's lowest supply and demand rate.

And the development of a healthy and active Discount Market in each Federal Reserve District should be the active concern of every thoughtful banker and business man.

Inasmuch as our country has never had a true discount market and as the Bankers' Acceptance rate reflects merely the supply and demand rate for money, it is of interest to note how, even in the infancy of that market, the acceptance rate is a perfect reflex of the prime investment bond market. Bonds rise in price as money gets easy. The trend of the acceptance rate is a valuable index of the trend of bond prices, as the chart herewith will show.

How Much Taxation?

Speaking Before the Recent Annual Meeting of the London Joint City and Midland Bank, Ltd., Hon. Reginald McKenna Said in Part:

BUT the question is not merely one of the discouragement of effort. We know that if business is to expand and prosper continuous additions must be made to the capital employed. A growing business—and at every period it is upon the growing business that the progress of the future depends—is one in which a large part of the profits each year are saved and put back into the concern. By this method the energetic and capable young man slowly acquires the additional capital he needs for development and brings himself to the front. If now the whole or a large part of his savings is absorbed each year in taxes, he is deprived of the means of enlarging his business. New plants cannot be acquired; additional stock cannot be bought; growth becomes impossible. The capital which the keen, active, enterprising man could use to the utmost advantage in developing trade is taken from him and spent unproductively on one of the manifold activities of the State. In such conditions business must become stagnant and in this country, where the industrial organization is contrived for expansion and a continually growing production, stagnation means failure.

Let us look at excessive taxation in another aspect. Everyone is agreed that taxation of the poor on such a scale as to deprive them of the means of obtaining the necessaries of life is morally

(Continued on page 655.)

About Banks and Banking

More About New Business Undertakings

THIS department of THE MAGAZINE seems to have touched a responsive key. A number of letters have come from readers, asking further information on matters discussed in previous issues.

Registering Securities

Many investors seem interested in the department's suggestion that securities held for investment are best registered in the holder's name. Thus,

Bank Editor, THE MAGAZINE OF WALL STREET:

Sir: I have some Liberty Bonds, some Frisco Adjustment 6s and some Frisco Income 6s. Would you advise having these registered, and if so how shall I go about having same done?—C. B. P.

It was suggested to this inquirer that he might best have his holdings registered in his name, assuming that he expected to keep them as investments for an indefinite time.

The advantages of having securities so registered are simply these: Interest payments come direct to the holder, and do not have to be collected from some former holder, in whose name the security has been registered. Title to the security is proven, in case of its loss or theft.

Investors can have securities registered into their own names either through their brokers or their banker, or by personal application at the company's transfer offices. Since brokerage houses have machinery for the purpose, they are able to expedite the process and might be the best agency through which to have it done.

Another reader says: "In THE MAGAZINE OF WALL STREET, issue of February 4th, I note on page 455 you say bonds should be registered even if carried in a regular safe deposit box. Would you think it would be necessary to have bonds registered if a record were kept of the bond number, maturity, etc., and that record kept, say, at home?—F. L. D."

There is only the faintest likelihood, of course, that securities kept in a safe deposit box might be lost. However, there is no reason why a man should not protect himself against that contingency by registering his securities, especially in view of the other advantages of registration noted above. It is the simplest and surest way of establishing ownership.

New Business Undertakings

The Department has received a number of letters in response to the suggestion that it would be glad to help, where it could, in matters involving the formation and financing of new business enterprises. There is, evidently, a very general interest in the subject.

Some of these letters point to more or less confusion as to the responsibilities and difficulties involved in such projects. As in the case of the following, the importance of a definite, well-thought-out plan of action does not appear to be fully realized:

Bank Editor, THE MAGAZINE OF WALL STREET:

Sir:—I desire to get into business but lack the necessary funds to do so. The kind of business I prefer is owning and operating a motion picture theater. As I have not sufficient funds, I would like to know if it would be possible for me to get any backing in Wall Street, from any banking houses, that is, or reputable brokers.

My plan would be to borrow the amount the theater cost, plus the cost of operating it for one week, and be allowed a number of years to repay, in fixed sums yearly. In return, I could give a mortgage on the building as security until the amount of the loan could be paid off.

While I don't know if anyone would accept such a plan, I would like your advice concerning it.—R. D.

Part of the reply sent to the above letter is reprinted here for the consideration and criticism of those interested:

ACTIVE BANK STOCKS

	Jan. 25	Feb. 23
American Exchange National	250—256	245—255
Chase National	285—290	284—287
Chatham & Phenix	216—220	227—232
Chatham & Phenix rights	....	....
Chemical National	520—530	500—515
First National	925—935	925—940
Hanover	820—830	825—840
Irving National	193—197	191—194
Mechanics & Metals	340—345	344—349
National City	320—325	314—318
National Park	400—406	400—405
Seaboard	270—290	290—310

Your ability to obtain financial backing for such an enterprise as you suggest would be restricted in a number of ways.

In the first place, you do not seem to have had experience in the field, and almost no one, much less banking institutions, would feel justified in supporting your project therefore. Your first effort, if you are in earnest in this matter, should be to obtain that experience. It will take time and will not be very remunerative; but you are not qualified to go ahead without it.

Secondly, you will have to study the matter of "locations." This is one of the deciding points in the affairs of any business depending for its success upon public patronage. Houses that were capably managed in all other respects have been known to fail simply because of the section in which they were erected. Other houses that were badly managed—if lack of sanitation, proper lighting, etc., constitute bad management—have been consistently successful because they were well located. You would have to study this subject deeply, select your location, and prove its desirability before you could hope to obtain financial aid.

Thirdly, you would find it very difficult to secure "banking" aid for a proposition of so speculative a type. This department has yet to see the city, town, village, or section thereof, that did not appear to have more motion picture houses than it could support. Without actual experience in the field, it seems safe to say that it involves competition of the severest sort. And that fact alone is enough to render the future of new entrants into the field decidedly doubtful.

Judging your project as a whole, this department believes it would be futile for you to attempt to secure financial backing of the sort you suggest. Your best plan would be to get into the business and study it for a while. Then you would be better equipped to work out ways and means of going in for yourself.

Going Into the Bond Business

An interesting list of questions about the bond business has been received from another reader. The questions and answers follow:

(1) What are the average annual earnings of the successful bond salesman?

About $5,000 a year.

(2) What are district sales managerships?

Executive positions, with from 5 to 10 salesmen on the staff, and covering an allotted territory. Such positions should pay about $10,000 a year.

(3) What effect should cheaper money have on the bond business?

It should help it.

(4) How long should it take an energetic salesman to obtain a "good" clientele?

About 2 years.

(5) How much capital should a bond-broker expect to invest in starting such a business?

It depends upon which branch he intends to enter. If he intends to do a purely commission business, $5,000 ought to be ample. If he intends to go into underwriting, not less than $100,000.

(6) How do bonds compare with insurance as a hard-times sales proposition?

Securities are considered the "hardest things in the world" to sell. They are generally more difficult to sell than Life Insurance, because the latter can be bought on easy payments, stretched over a long term of years, whereas securities, generally, must be bought outright. However, most people already have insurance by the time the bond salesman reaches them.

(7) What New York bond house, beside the National City Co., would you recommend for representation in Southern California?

Blyth, Witter & Co.

(8) How do you regard the Los Angeles section as a bond market?

A good section. The people are progressive and comparatively prosperous.

Trade Tendencies

Business Commences to Improve

Preparations for Spring Trade Result in Greater Activity in Trade and Industry

STEEL

Gain in Output

THE downward movement in the iron and steel trades definitely appears to be over and from now on activity in these industries should gradually broaden. The principal support of the market is the increasing volume of small but frequent orders placed by consumers who feel encouraged to enter the market on account of the slowly stabilizing price

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situation. While the declining movement in prices has not yet ended and there are still a few weak spots, it appears that there is not much danger of continued drastic deflation. There have even been several though feeble attempts at raising prices. Quite likely any material demand for special products would result in a higher price level.

Sales of virtually the entire list of steel products are on the increase and producers in the important districts have increased their operations slightly. The expansion in activity is as yet very light but indicates a definite trend.

Export business is not well developed at this time, most of the current business being transacted with Japan which is a fairly active buyer, though its purchases come rather spasmodically. Consumers of railroad materials are entering the market in greater numbers and this is one of the principal reasons for the increase in steel production noted in the past two weeks.

The market for pig iron is broadening and it is quite likely that prices will be advanced 50 cents a ton within the near future. The coke market as a consequence has taken on more life. Prices have not advanced yet but undoubtedly will do so in the near future.

Preparations for greater activity in the building lines are beginning to exert a favorable effect on steel products used in this connection.

Altogether the steel market seems to be in a position to give satisfaction to the steel interests. A real turn in conditions is at hand.

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1921 High	1921 Low	1922 Last*
Steel (1)	$43.50	$29.00	$28.00
Pig Iron (2)	30.00	18.00	17.75
Copper (3)	0.13¾	0.11	0.13
Petroleum (4)	6.10	2.25	3.25
Coal (5)	3.00	1.80	1.90
Cotton (6)	0.21¾	0.11	0.17½
Wheat (7)	2.04	1.08	1.40
Corn (8)	0.70¼	0.44	0.59
Hogs (9)	0.11½	0.06¾	0.10
Steers (10)	0.11½	0.08¼	0.09½
Coffee (11)	0.09¼	0.05¾	0.09¼
Rubber (12)	0.23	0.14	0.15
Wool (13)	0.48	0.43	0.46
Tobacco (14)	0.25	0.15	0.20
Sugar (15)	0.06¼	0.03⅞	0.03¾
Sugar (16)	0.08½	0.05¼	0.05⅛
Paper (17)	0.06½	0.03¾	0.03½

*February 24.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND

STEEL—Increased activity in operations. Railroads buy more heavily. Prices firmer. Pig Iron market stronger. General outlook for favorable.

METALS—Slump continues and prices Lower. Copper sales for export on the decline. Domestic demand dull. Lead the strongest feature. Tin is very weak.

OIL—Gasolene is the bright spot in the oil market and both export and domestic demand is on the increase. Other varieties of refined petroleum vary from dull to weak. It is doubtful, however, that prices will get below these levels.

SHIPPING—Improving outlook. Many instances of firming conditions. World trade commencing to gain.

CHEMICALS—Generally quiet. There is a fair demand for dyestuffs. Drugs are somewhat more active. Heavy chemicals dull.

TIRES—Production rapidly gaining. Extremely economical operations. Mechanical rubber goods more active. Outlook generally fair.

MOTORS—More active conditions. Demand increases. Few price cuts expected. Two companies increase prices. Immediate future promising.

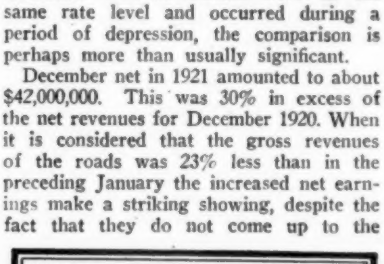
SUMMARY:—Conditions in trade and industry while still quiet show tendencies toward early recuperation. Springtime demand about to start in should materially increase the volume of business. Higher agricultural prices exert a favorable effect. The advance in foreign exchange should enlarge our export business. We are slowly heading toward a period of greater business prosperity.

RAILROADS

Traffic Increasing

December 1921 earnings for the carriers make a very interesting comparison with earnings in 1920 for the same month. Inasmuch as both months were on the same rate level and occurred during a period of depression, the comparison is perhaps more than usually significant.

December net in 1921 amounted to about $42,000,000. This was 30% in excess of the net revenues for December 1920. When it is considered that the gross revenues of the roads was 23% less than in the preceding January the increased net earnings make a striking showing, despite the fact that they do not come up to the



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expectations originally aroused by the Transportation Act. The fact that net earnings were able to increase at a time when the gross fell off considerably is of course due to the large decrease in operating expenditures. It perhaps is not generally realized that the more efficient roads have cut off 30% of their operating expenses since December 1920. This accounts for the improvement in the earnings position of the roads.

The situation with regard to traffic is now improving rather noticeably. Weekly figures reported by the official agency indicate a steady upward trend in traffic

(Continued on page 656.)

The Bond Market

Favorable Outlook for Packing House Bonds

Companies Seem to Have Turned the Corner of Depression—Underlying Bonds in Strong Position—Short Term Investment Opportunities

By JAMES E. HALSTED

THE packing house companies report that the year just ended was the most disastrous one that the industry ever experienced. For example, the price of hogs dropped from 23c. per lb. in 1919 to 6¾c. in 1921, and lard from 35c. to 9½c. The drop in many cases brought prices below their pre-war level. Prices did not fluctuate as much in the last six months as in the first half, but it was impossible to overcome what was lost during this period.

The Armour plant in Chicago, one of the largest in the world

The companies handle such large quantities of meat and operate on such a small margin of profit that they were not able to escape losses that ran into the millions of dollars.

Even the side lines, which normally produce satisfactory profits, operated at a loss in 1921. In the Armour report it was stated that the Fertilizer company lost $8,250,000. Large amounts were also lost in tanning hides. Then, too, Armour & Co. lost on their canned fruit and vegetable business, which they were compelled by the Government to discontinue, and they were compelled to sell at a time when the market for these commodities was very weak.

The unsettled conditions in Europe, with widely fluctuating commodity prices and exchange rates, also caused many losses.

The packing houses also suffered from the high wages they paid, which were higher than those existing in the small communities in which they had to compete with the local abattoirs. Wages were reduced about 25% in 1921, but this reduction was made too late to affect the last year profit and loss statements. It should have considerable effect, however, on the current year's business.

Last Year's Sales

The sales reported for last year were considerably below those for 1920. For example, the loss in gross business amounted to approximately 27% in the case of Swift, 33% for Armour, and 40% for Cudahy. However, this decrease was caused by a lessened cost of the units sold, for the tonnage only decreased 6%-7% for these companies.

The prices of live stock and packing house products appear to be liquidated and in fact have advanced from their recent low levels. It is likely that the inventories of the packing companies may be worth more now than at the time they reported them.

In any case, it seems that the companies have been through the worst and that the present year should give them a nearly normal profit. On the other hand, it would be a fallacy to look back at the years 1916 to 1919 as being the ones with a normal profit. In fact, this period, when Europe was buying with immense credits at its disposal, to say nothing of the enormous supplies going to the American Army, was one of excessive prosperity for these companies.

The accompanying tables show several of the more important bond issues of large meat packing companies. Morris & Co. is the only one that has shown a loss for the last two years.

The companies report their net profits, after interest charges, and these figures are shown. To estimate the fixed charges of each company, the interest on the bonds outstanding at the date of the last balance sheet, and also interest at 6% on the amount of notes payable, shown in the balance sheet, has been computed. The figure arrived at is not the exact amount of the fixed charges, for the notes payable may be very greatly reduced during the year, and then the amount of the sinking fund, provided there is one, has not been included.

COMPARISON OF BOND ISSUES AND GROSS SALES

	Bonds and notes payable millions	Sales in millions	Ratio of sales to bonds & notes
Armour & Co.	244	600	2.5
Swift & Co.	127	800	6.3
Cudahy Packing	30	173	5.7

In this connection it may be mentioned that the bills payable of Armour & Co. were outstanding on November 1, 1921, at the large amount of $129,198,913, as compared with $148,907,029 for the previous year. As compared with the other companies this amount seems to be somewhat excessive. For instance, Swift & Co. reduced their notes payable from 94 million to 33 million, and Cudahy reduced theirs from 33 million to 17 million. Swift & Co., however, put out during the year 25 million of 10-year notes.

It appears that in each year the interest charges, as above computed, of Swift & Co. have been earned with a wider margin than any of the other companies. Swift & Co. also had a larger ratio of sales per dollar of bonds and notes outstanding than did either Armour or Cudahy.

Armour & Co. Real Estate 1st 4½s

These bonds, due 1939, are secured by

(*Continued on page 646.*)

PACKING HOUSE BONDS

	Maturity	Price	Yield	Redeemable at	Net earnings after interest (in thousands of dollars) 1918	1919	1920	1921	Annual fixed charges
Armour & Co. 1st real estate 4½s	1939	87	5.65	102½	$15,247	$14,098	$5,919	$33,709*	$14,534,000
Armour & Co. (notes) 7s	1930	103	6.60	105					
Morris & Co. 1st 4½s	1939	84	5.85	103	4,217	703	2,995	11,247*	2,208,000
Morris & Co. (notes) 7s	1930	103	6.80	107					
Swift & Co. (notes) 7s	1931	102	6.60	102	21,157	19,870	5,110	7,216*	8,027,000
Swift & Co. 1st 5s	1944	92	5.65	102½					
Cudahy Packing (notes) 7s	1923	101	6.25	102	3,376	2,064	624	1,569*	1,805,000
Cudahy Packing 1st s. f. 5s	1946	87	6.00	102½					

*Deficit.

Promising Opportunities in Railroad Bonds

Speculative Bonds That Offer High Yields and Possibilities of Market Enhancement

A NUMBER of the low-grade railroad bonds have had an advance from their recent low prices, but they have not all been so affected. A glance at the table will show that, with the exception of the bonds recently issued, many of them are selling far below their high water mark. In some cases the condition of the road has been fundamentally changed, as with the Central of New England, part of the New Haven system. However, most of the roads are more affected by the industrial depression the country is passing through and the high operating costs.

That these roads have made great strides in reducing their operating expenses is shown by the fact that many of

	Maturity	Price	% Yield
Central New England 1st 4%	1961	60	7.00
Chicago & E. Illinois Gen. 5%	1951	71½	7.30
Iowa Central 1st 5%	1938	70	8.00
Minn. & St. Louis 1st Cons. 5%	1934	73	8.40
Mo., Kansas & Texas 10 Yr. 6%	1932	92	7.10
N. O. Tex. & Mex. Inc. 5%	1935	65	9.25
St. L. & S. F. Inc. 6%	1960	60	10.10
St. L. & S. F. Adj. 6%	1955	75½	8.10
St. L. & S. W. Cons. 4%	1932	73	7.80
Wabash 2nd 5%	1939	85	6.40
West. Md. 1st 4%	1952	62	7.00
M. K. & I. Adj. 5%	1967	49½	10.00
Erie Gen. Lien 4%	1996	45	8.80

them show for 1921 larger net earnings, in spite of the fact that their gross business was less than for 1920. But it must also be remembered that the roads had higher rates for all of 1921 and for only four months of 1920.

It is well known that railroad labor costs are still high, and it is certain that they will be further reduced, and although the insistent demand for lower rates will more or less neutralize the effect of lower labor costs, this factor will surely benefit the roads.

Although it can hardly be said that the corner has been definitely turned, and a number of roads are almost on the edge of a receivership, it is possible, and even likely, that the roads which have been able to weather the storm thus far, will be able to go through intact. The situation of the railroads, although not as good as, is quite similar to that of the public utility companies, and the majority of the latter are showing a consistent improvement in net earnings.

If the railroads can hold out during the lean period, they will be in a good position to benefit by the return of industrial activity and general prosperity, which will put them safely on their feet and give the present speculative bonds a good investment standing with a corresponding increase in their market value. The following bonds seem to offer good opportunities:

New Orleans, Texas and Mexico Ry.

This railroad, sometimes called the Gulf Coast Line, is not well known and was formerly part of the "Frisco" system. It extends from New Orleans to Brownsville, Tex., just across the river from Matamoras, Mexico, and thus is one of the ways of entering Mexico, which will be a valuable feature when the conditions in that country become thoroughly settled and the people prosperous.

The earnings of the road have been very satisfactory, and cover the interest charges with a liberal margin. The December, 1921, net earnings were also up to standard and at a rate more than sufficient to take care of the interest requirements.

The road has a well diversified traffic and carries a relatively large proportion of lumber and agriculture products, including cotton.

The company was incorporated in February, 1916, as successor to the New Orleans, Texas & Mexico R.R. The reorganization was accompanied by a large reduction in the amount of fixed charges.

The first mortgage bond holders of the old company, which paid a $200 assessment per $1,000 bond, received in return $200 in first lien 6% bonds, $500 in 5% income bonds, and $500 in new stock. Those not paying the assessment received per $1,000 bond $400 5% income bonds and $250 in stock of the new company.

An initial dividend on the capital stock of 1½% was paid December 1, 1920, and has since been continued quarterly.

The 5% income bonds, due 1935, selling at 65, with a yield of 9¼% to maturity, appear to be very attractive.

St. Louis & South Western Ry. Cons.

This road has consistently shown satisfactory earnings sufficient to cover fixed charges with a fair margin, which is quite an achievement for these times. The net for 1921 was larger than that for 1920 although the gross was less. The company had good earnings before federal operation and has done even better in 1921.

The territory served is about the same as that of the St. Louis and San Francisco, which road has also done very well, indicating that this section of the country is comparatively prosperous. The drilling and bringing in of many oil wells, with its attendant prosperity, is one reason why these roads showed good earnings.

The Consolidated 4% bonds, due June 1, 1932, are a first lien on some 146 miles of track, most of which are branches or spurs. It is also a third lien (secured either by a direct mortgage or a collateral trust) on practically the entire system. These bonds are preceded by the first 4% bonds of 1989, and the second mortgage 4% bonds of 1989. The issue is in turn prior to the first terminal and unifying 5% bonds of 1952.

Both the consolidated 4% and the terminal and unifying 5% bonds appear to be a rather good speculation at their present prices. The consolidated 4s at 73 give a yield of about 7.80%.

Central New England First 4s

This road is controlled by the New York, New Haven & Hartford R.R. Co. As the latter company has been supposed to be near the brink of bankruptcy, it may seem strange to suggest this bond as a speculation. However, there are several extenuating circumstances. In the first place, the New England railroads have just received a rate increase, which will greatly help the New Haven.

The earnings of the Central New England Ry. Co. have been satisfactory, and appear to be sufficient to cover interest charges. Then, too, the line is important to the New Haven, for it extends from Hartford and Springfield to Poughkeepsie, owns the bridge over the Hudson River at that point and gives the New Haven a connection with the New York, Ontario & Western, which it controls.

The Central New England bonds are guaranteed principal and interest by the New Haven. Although this fact is not as important as it was a few years ago, it seems that the price of the bonds has discounted the situation of the parent company and because of the position and earnings of the Central New England Co. the bonds are worth the price they are selling for, irrespective of the guarantee.

The bonds are a first mortgage on 126 miles of track, including the bridge over the Hudson River, which cost over $7,000,000 or over one-half of the amount of the bonds outstanding. At the current price of 60, the bonds give a yield of 7% and appear rather attractive. They mature in 1961.

Western Maryland First 4s

This road has had satisfactory earnings for 1921 and for the recent months. They have been just sufficient to cover interest charges with a slight margin, but this has been done in spite of a drop in gross business.

The bonds are a first mortgage on the line from Baltimore, through Cumberland to Elkins, W. Va.

The traffic of this road consists very largely in hauling coal from the Pennsylvania and West Virginia fields.

The earnings of the road in 1917 (after its reorganization) was considerably better than it had been before, and if the earnings return to the 1917 level, the fixed charges will be taken care of with a good margin. The bonds (due 1952) at 62, yield about 7% and have a fairly good chance of appreciation.

(Continued on page 643.)

BOND MARKET CONTINUES FIRM

Price Changes, on the Whole, Rather Small—Advances and Declines of a Point or More About Equally Divided

THE buying of bonds for investment seems to have abated somewhat in the past two weeks and turned over to the stock market. There has been great activity in the latter market and sound dividend paying securities have been in the greatest demand. This was rather to be expected with bonds reaching a level where they yielded an average of less than 6%. With industrial conditions improving and the general outlook for substantially larger earnings than were reported last year by practically all industrial, public utility and railroad companies, it is only natural that investors should have greater confidence in the security market and avail themselves of those seasoned dividend paying securities that have been yielding anywhere from 7 to 8%.

Bank of England Reduces Commercial Paper Rate

The recent action of the Bank of England in reducing the rediscount rate on commercial paper from 5 to 4½% was hailed with great satisfaction in this country and probably forecasts similar action by the Federal Reserve Banks here. Financial position of member banks has been gradually improving by the funding of large floating debts and the liquidation of loans throughout the cotton and grain centers. There is little doubt now but that the banks are in an excellent position to aid business in its recovery and that they are well able ao accomplish this task at a lower interest rate than is now being charged. Any further reduction in the rediscount rate and interest rates would certainly act as a new incentive to the bond market.

Price Changes

The feature of the Foreign Government issues were the City of Zurich, Kingdom of Belgium and U. S. of Brazil bonds, which advanced 2, 2⅜ and 1 point respectively. There were no changes to speak of in the rest of this group.

There was practically no change in the prices of railroad bonds.

Movement of industrial bonds was rather mixed in a few instances, but the list in general reflected few net changes. General Electric and Indiana Steel in the Gilt Edge group advanced 1½ and ¾ points respectively, while in the Middle Grade group International Mercantile Marine, Lackawanna Steel and American Smelting & Refining all advanced about 1 point and Computing, Tabulating & Recording bonds declined 3½ points. The only explanation for this rather sharp decline is because of the narrow market existing for this issue.

Speculative Railroad Bonds

There was a good deal of strength among the speculative railroad bonds as a result of a better demand for these high yielding securities. We feel the big move in this group is yet to come, for if the anticipated improvement in railroad operations materializes a good many of these bonds will be lifted from the speculative class to the

(*Continued on page* 638.)

BOND BUYERS' GUIDE

	Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
Foreign Governments. BETTER GRADE			
1. City of Christiania (b) 8s, 1945	106⅜	7.25	..
2. Danish Municipal (b) S. K. 8s, 1946	107⅛	7.30	..
3. City of Zurich (b) 8s, 1945	110	7.10	..
4. City of Copenhagen (b) 5½s, 1944	88⅛	6.25	..
5. Kingdom of Sweden 6s, 1939	97⅛	6.25	..
6. Argentine (c) 5s, 1945	78	6.90	..
7. U. K. of Gr. Britain & Ireland (c) 5½s, 1937	99¼	5.00	..
8. Dominion of Canada (c) 5s, 1931	96⅜	5.50	..
MORE SPECULATIVE.			
1. Kingdom of Belgium (a) 6s, 1925	99⅜	6.25	..
2. Kingdom of Italy (d) 6½s, 1925	93⅛	9.20	..
3. Republic of Chile (b) 8s, 1941	101¼	7.90	..
4. Sao Paulo (b) 8s, 1936	101⅜	7.80	..
5. U. S. of Brazil 8s, 1941	104	7.60	..
Railroads. GILT EDGE			
1. Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	88	8.10	.80
2. Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	82⅜	5.40	2.20
3. Delaware & Hudson (a) 1st & Ref. 4s, 1943	83¼ bid—off. at 88⅛		1.05
4. Southern Pacific (b) 1st Ref. 4s, 1955	84½	4.95	1.65
5. Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	86½	4.80	2.40
6. Union Pacific (b) 1st Mtg. & L. G. 4s, 1947	91½	4.60	3.05
7. N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	..	..	2.35
8. Atlantic Coast Line (a) 1st Mtg. 4s, 1948	87	4⅞	1.55
9. Pennsylvania (a) Genl. Mtg. 4½s, 1965	87⅜	5.25	2.20
10. West Shore (a) 1st Mtg. 4s, 2361	79⅛	..	**
11. Norfolk & Western (c) Cons. 4s, 1996	87	4⅝	3.95
12. Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	105¾	4.70	1.40
13. Atchison (b) Genl. Mtg. 4s, 1995	87½	4.60	3.90
14. Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	81⅜	4.95	1.00
Industrials.			
1. Diamond Match (c) Deb. 7½s, 1935	107	6.90	†
2. Armour & Co. (a) R. E. 4½s, 1939	88¼	5.30	6.75
3. General Electric (b) Deb. 5s, 1952	99	4.95	5.55
4. International Paper (a) 5s, 1947	88	6.10	16.70
5. Indiana Steel (a) 5s, 1952	98¾	5.10	**
6. Liggett & Myers (aa) Deb. 5s, 1951	93½	5.45	4.80
7. Baldwin Loco. (a) 5s, 1940	100	5.00	2.65
8. National Tube (a) 5s, 1952	97	5.20	**
9. Corn Products (a) 5s, 1934	97½	5.30	60.70
10. U. S. Steel (a) 5s, 1963	100½	5.00	8.70
Public Utilities.			
1. Duquesne Light (b) 6s, 1949	102	5⅞	3.40
2. Amer. Tel. & Tel. (c) 5s, 1946	96	5.30	4.80
3. Philadelphia Co. (c) 6s, 1944	94½	6.50	4.15
4. N. Y. Telephone (b) 4½s, 1939	89½	5.45	**
5. Montana Power (c) 5s, 1943	94¾	5.40	2.90
6. Cal. Gas & Electric (a) 5s 1937	94¼	5.60	4.15
7. N. Y. G., E. L., H. & P. (a) 5s, 1948	95⅛	5.30	2.10
8. Pac. Tel. & Tel. (a) 5s, 1937	95	5.50	1.75
Railroads. MIDDLE GRADE.			
1. Southern Pacific (b) Col. Trust 4s, 1949	79	5.80	2.40
2. Illinois Central (b) Col. Trust 4s, 1952	81	5.25	2.25
3. Balt. & Ohio (b) 1st Mtg. 4s, 1948	77⅜	5.70	.80
4. Norfolk & Western (a) Conv. 6s, 1929	105⅜	5.10	3.95
5. Atchison (a) Conv. 4s, 1960	97	4⅛	3.90
6. St. Louis-San Fran. (a) Prior Lien 4s, 1950	68⅜	6.40	1.60
7. Missouri, Kans. & Texas Prior Lien 5s, 1962	78⅜	6.50	..
8. Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931	86	6.60	2.40
9. Ches. & Ohio (b) Conv. 5s, 1946	85¼	6.20	1.55
10. Pere Marquette (c) 1st Mtg. 5s, 1956	89⅜	5.70	2.05
11. Kansas City Southern (a) 1st Mtg. 3s, 1950	64½	5.50	1.70
12. Pennsylvania Genl. Mtg. 5s, 1968	95⅜	5.25	..
13. St. Louis Southwestern (a) 1st Mtg. 4s, 1989	75⅜	5.34	2.00
Industrials.			
1. Wilson & Co. (a) 1st 6s, 1941	94⅞	6.50	2.10
2. Comp. Tab. & Recording (b) 6s, 1941	89	7.10	5.45
3. Adams Express (b) 4s, 1948	75⅛	5⅞	2.60
4. Int. Merc. Marine (b) 6s, 1941	92⅜	6.70	5.15
5. Lackawanna Steel (c) 5s, 1950	85½	6.10	6.90
6. Bush Terminal Bldg. (a) 5s, 1960	89⅛	5.70	2.35
7. U. S. Rubber (c) 5s, 1947	86⅜	6.05	5.00
8. Amer. Smelting & Refining (c) 5s, 1947	89¼	5.80	9.55
9. Goodyear Tire (c) 8s, 1941	112½	6.80	x
Public Utilities.			
1. Public Service Corpn. of N. J. (a) 5s, 1959	76⅜	6.70	..
2. Detroit Edison (c) Ref. 5s, 1940	91⅜	5.80	2.80
3. Brooklyn Union Gas (a) 5s, 1945	88 bid-off. at 89½		*1.35
4. Northern States Power (b) 5s, 1941	88½	6.00	1.80
5. Brooklyn Edison (c) 5s, 1949	91½	5⅝	2.20
6. Utah Power & Light (a) 5s, 1944	89	5.90	1.80
7. Cumberland Tel. & Tel. (b) 5s, 1937	89⅜	6.05	1.70
Railroads. SPECULATIVE.			
1. Western Maryland (a) 1st Mtg. 4s, 1952	61⅜	7.10	.70
2. Iowa Central (a) 1st Mtg. 5s, 1938	71	8.30	..
3. St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	72¼	8.10	2.00
4. St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	75⅞	8.10	*1.90
5. Mo., Kansas & Texas Adj. Mtg. 5s, 1967	45⅜	11.10	..
6. Southern Railway (a) Genl. Mtg. 4s, 1956	62	6.90	1.85
7. Missouri Pacific (b) Genl. Mtg. 4s, 1975	61⅞	6.60	.90
8. Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	83⅜	6.70	1.40
9. Minneapolis & St. Louis (a) Cons. Mtg. 5s, 1934	73½	8.60	.80
Industrials.			
1. Chile Copper (b) 6s, 1932	85⅜	8.10	3.80
2. Va.-Carolina Chemical (c) 7½s, 1932	91	8.90	2.75
3. American Writing Paper (a) 7s, 1939	82	9.10	1.90
4. American Cotton Oil (a) 5s, 1931	84¼	7.40	3.15
5. Cuba Cane Sugar (c) 7s, 1930	77⅛	11.40	..
Public Utilities.			
1. Hudson & Manhattan (c) Rfdg. 5s, 1957	78	6⅞	*1.60
2. Intr. Rapid Transit (a) 5s, 1966	64¼	7.90	*2.60
3. Third Avenue (b) Refg. 4s, 1960	61⅛	6.75	*1.20
4. Va. Rwy. & Power (a) 5s, 1934	74½	8.40	1.90

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500.
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.
(d) Lowest denomination, $50.

xThis issue was created on May 1, 1921.

†This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920.

*Number of times over interest on these bonds was earned.

**Earnings are not reported separately.

‡This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years.

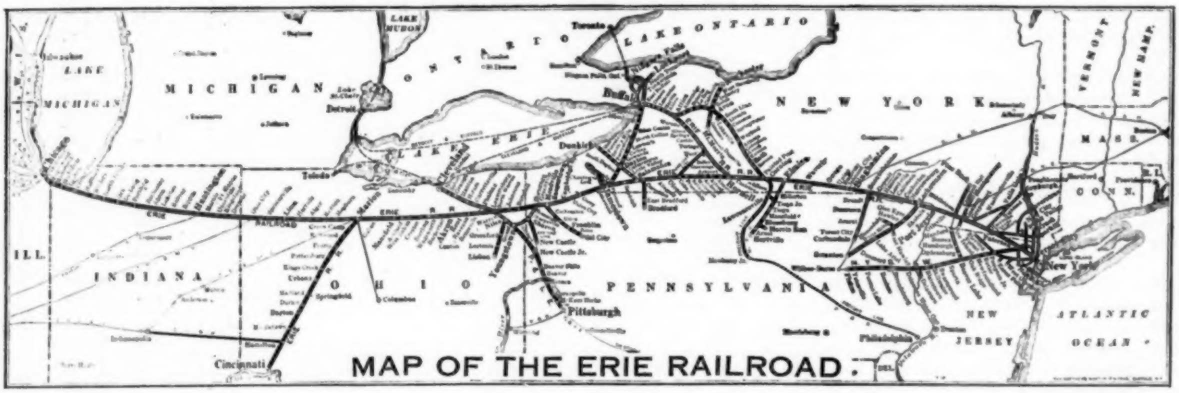
Railroads

Erie Railroad Company

The Situation in Erie

Road's Surplus in 1921 Surprises Wall Street—Are Its Securities Too Low?

By **JOHN MORROW**



MAP OF THE ERIE RAILROAD

AN ideal condition would be one in which an efficiently managed, reasonably capitalized railroad could make a decent living solely from the sale of transportation without recourse to income or revenue from investments in mines, forests, oil lands or other property not directly devoted to railroad operation. Of course, there is no criticism to be found in a situation where a railroad is fortunate enough to possess income producing investments, but such investments, in the long run, should not determine the earning power of a railroad property. In times of need there is much comfort in earning assets which, legitimately, may be tapped for revenue in the shape of extra dividends.

Rail deficits, or at least failures to earn fixed charges, were common enough in 1921—too common in fact. Some months before the end of the year it was pretty well known what roads would fail to earn fixed charges, and whenever the subject was under discussion the Erie was almost sure to be mentioned. In fact, not many weeks ago the old topic of a probable financial readjustment of the Erie was up for active argument, and under its influence there was a decided softness in the market prices for Erie securities. Pencils were busily engaged in figuring out the probable deficit of the road for 1921, and therefore the results of operations shown when the preliminary income account for 1921 was published caused marked surprise; for the Erie, instead of showing a deficit after charges, actually showed a $1,595,000 surplus after allowance for sinking fund deductions. Before this allowance the surplus after charges was $2,694,000, equivalent to the 4% dividend on both classes of preferred stock. It was, of course, widely known that Erie could not have earned a surplus from actual railroad operations, and, naturally, attention was immediately directed to non-operating or other income.

Erie's annual interest on funded and non-funded debt,, rentals of leased lines and other charges was $14,121,000 in 1921, and other income was $14,682,000 or over $500,000 in excess of fixed charges. Actual net railway operating income was $2,133,000, which would have been $5,000,000 had it not been for a charge against operating expenses of about $3,000,000 on account of transactions relating to the guaranty period.

ERIE'S EARNING RECORD
(Excluding 1918, Standard 1919, Return 1920)

	Gross revenues	Operating income	Other income	Surplus for shares
1915	$66,436,720	$20,765,972	$2,464,215	$6,016,220
1916	74,311,262	18,628,660	3,754,230	4,631,912
1917	70,776,368	9,593,417	8,687,236	540,110
1918	98,895,284	*1,177,088	6,662,762	*11,775,350
1919	102,198,905	1,526,649	5,920,281	*9,705,788
1920	122,163,699	*14,690,442	6,024,872	*27,343,610
1921	113,539,098	4,600,587	14,682,032	1,595,254

*Deficit.

The Interstate Commerce Commission made a ruling, not long ago, requiring the railroads to include in their payments, as of December 31, 1921, provisions for transactions connected with the guaranty period, and representing the period of Federal control which terminated in March, 1920; but, as every one knows, there are still many open accounts as between the railroads and the Government.

Erie's Other Income and Coal Properties

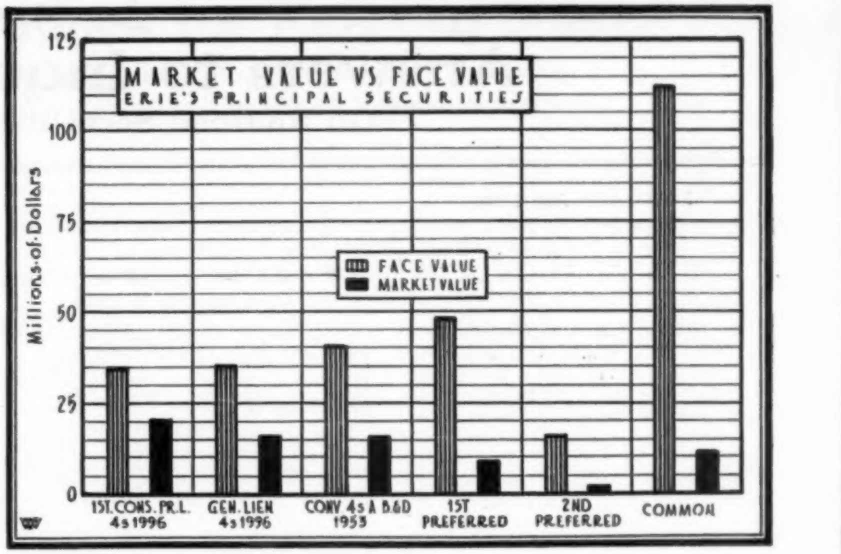
The charge of $3,000,000 against operating expenses the Erie offset by the inclusion of the same amount in non-operating income as a claim against the Government. Even deducting this $3,000,000 inclusion in other income, left that credit between $11,000,000 and $12,000,000. No details have been made public to show the exact source of other income, but it is known that it consists mainly of dividends from coal companies controlled by the Erie. It is no new thing for the Erie to show dividends from coal companies in income account, but the amount received in 1921 apparently far exceeded the amounts credited in previous years. In the year ended December 31, 1917, Erie showed other income of $8,687,000, of which $6,800,000 came from dividends on stocks owned. In 1921, however, as previously mentioned, other income was over $11,000,000, excluding the credit represented by a claim against the Government.

In shipments of coal Erie is preceded in amount by the Reading, Lehigh Valley, Lackawanna and Delaware & Hudson. In the ten months ended January 31, 1922, Erie shipped 5,735,000 tons, an increase of over 400,000 tons or about 8% as compared with the same period of 1921. The Reading, Lehigh and Delaware & Hudson showed a decrease in coal shipments in the same periods. Of course, Erie's dividends did not come from these shipments of coal, but they are cited to show the relative position of the Erie as a factor in the anthracite trade.

There is extremely little information readily available concerning Erie's coal properties, the largest and most important of which is the Pennsylvania Coal Company, which has a capitalization of $5,000,000, all owned by the Erie. Other, but smaller, coal companies owned include the Blossburg Coal Company, Hillside Coal & Iron Company and the Northwestern Mining & Exchange Company of Erie, Pa. These companies hold coal lands in the principal coal producing sections of Pennsylvania.

The capital stock of the Pennsylvania Coal Company, the largest coal property owned, is not free—that is, it is pledged under the Erie-Pennsylvania Collateral Trust 4% bonds due 1951. The mortgage of the general convertible 4s/1951 is also a lien on the capital stock of the Pennsylvania Coal Company, subject to the prior lien of the Pennsylvania collateral indenture. There is no definite way of ascertaining the value of this coal stock, but there may be no doubt that it is most substantial, and it certainly adds greatly to the equity value of the Pennsylvania collateral trust 4s/1951.

There never has been a widespread discussion over the possible benefits which might eventually accrue to Erie shareholders as a result of the road's control of anthracite properties. It may be that lack of information effectually has prevented such a speculative discussion, but it is perhaps more reasonable to assume that the lack of apparent interest is the result of the recognition of the relatively large capitalization which Erie carries and which, in the long run, cannot be saved by the equity inherent in coal lands.



Question of Rail Operations

As welcome as may be extra dividends from coal properties, the market value of Erie's securities fundamentally must depend upon the success of the company in selling transportation at a fair margin of profit. It may be noted that, in this discussion, it is assumed that the unusual size of other income in 1921 was due to unusual dividends from the coal properties, although official details are unfortunately lacking.

To consider the present market values of Erie's securities and to think solely of their depreciated status would easily result in forgetting that the Erie is one of the big trunk lines serving as an important freight-traffic link between New York and Chicago. Incidentally, the performances of the Erie in transporting through freight is far from being a subject for humorous discussion. Close to 60% of Erie's total freight traffic comes from the transportation of coal, which means heavy loading and comparatively low rates. In 1920 about 23% of the total of freight traffic came from manufactures, although this apparently is rather a high ratio, as in the several years preceding the proportion was 17% to 19%.

Fundamentally, there can be little or no criticism directed against this strategical or geographical situation of the Erie lines, although there probably is considerable branch-line mileage of a non-productive character. That, however, is a portion of Erie's inheritance and is a legacy for which the present management is not at all responsible.

Is Capitalization Too High?

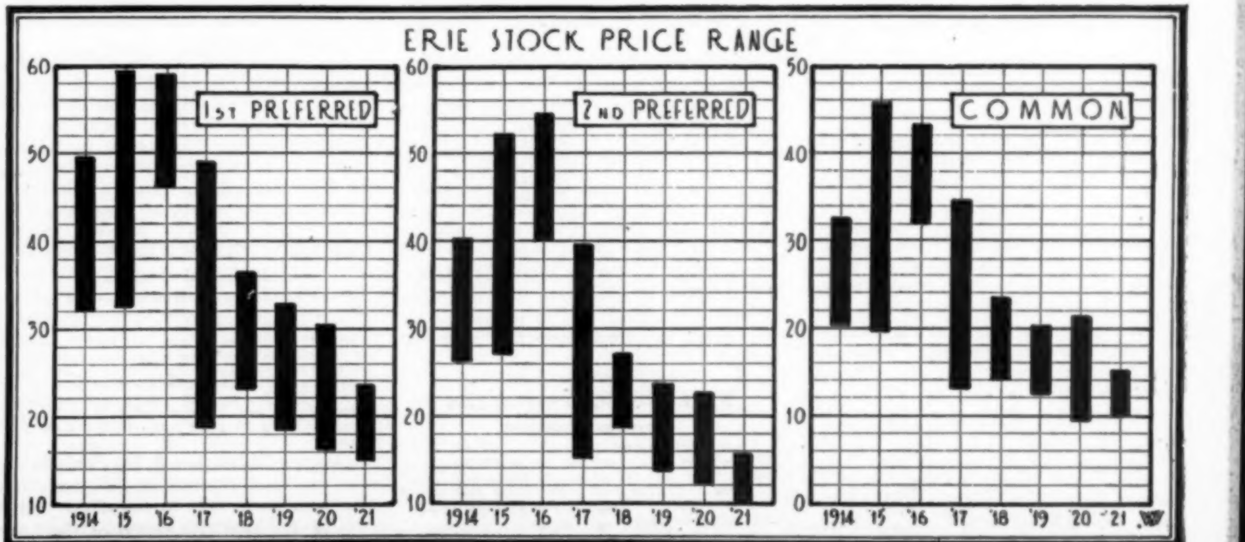
When all is said on Erie the discussion returns almost inevitably to the question of capitalization and of the road's ability to earn a fair return on that capitalization. A few figures will serve to cite Erie's position as to earnings. In 1921 the company did a gross business of $113,500,000 and showed an operating income, after taxes, of $4,600,000, indicating that between 3 cents and 4 cents on the dollar only was saved for capital obligations and shareholders, disregarding non-operating income. Even this was better than in 1920, when there was a deficit of over $14,000,000 after taxes.

It cost Erie well above 90% to operate in 1918 and 1919, whereas in the pre-war years the ratio was about 75%. Just prior to Federal control Erie was actually showing a small surplus for the common stock.

Problem of Economy

It is interesting to note the effect which transportation costs have had upon Erie's fortunes. This is the division of operating

(*Continued on page* 648.)



Answers to Inquiries

On Railroad Securities

SEABOARD AIR LINE

Would Stand by Bonds

I have $2.000 bonds Seaboard Air Line 1st and consolidated 6s due 1945, which I purchased at 65. Please advise me if I should sell and if I sell what to purchase in their place?—B. H. J., Baltimore, Md.

Seaboard Air Line Consolidated 6s 1945 are now selling around 48½ and if you sold now you would have a loss of over 16 points. We really see no reason why, having held this bond throughout the recent decline, you should sell out now. These bonds are a direct obligation, secured upon 416 miles of road, and collaterally secured by a pledge of approximately $36,000,000 of the refunding 4s of 1949. The 6s are now selling at close to the lowest price since issued. The chairman of the board recently stated that no pressing obligations are due and earnings are improving.

It is quite possible that large blocks of this bond have been sold to establish losses for income tax purposes because this issue is among the few that are selling at around their low levels. While the situation of this road is not such as to create enthusiasm, the bonds are already selling upon a receivership basis and on the whole, we believe that you should stand by your commitment in the expectation that sooner or later improving business throughout the country will be felt by the Seaboard Air Line Co. and a much better margin of safety shown for the bonds which you hold.

On any further weakness around present low levels, it might be a good idea to purchase another bond for the purpose of bringing down your average purchase price. A 10 point advance thereafter would show you no loss on your entire line.

PENNSYLVANIA

Advise Switching

For several years I have been holding 300 shares of Pennsylvania Railroad stock for investment. With its present dividend of $2 the return on my investment is not very good as I paid a high price for the stock. Would you advise holding in the hopes that the dividend will be increased or switch into some other stock with better possibilities?—B. D. G., New Castle, Pa.

We are not particularly impressed with the future of Pennsylvania R. R. stock; not only is there slight possibility of any increase in the dividend, but even the present dividend rate should be regarded as rather uncertain. Would favor a switch into Southern Pacific which at present prices gives a somewhat better yield and whose dividends, in our opinion, is more secure. We also believe the latter stock to have better possibilities of advancing. Another stock we favor is Colorado Southern selling around 42. This road has just paid a dividend of 3% for the year 1921 and as its earnings have been showing up very well, we believe that it should be able to pay another 3% in the current year. You might switch half of your Pennsylvania into Southern Pacific and the other half into Colorado Southern. By doing this, we believe your investment position would be materially improved.

NEW ORLEANS, TEXAS & MEXICO

Good Showing in 1921

Some time ago I was given a tip to buy New Orleans, Texas & Mexico, but before I acted it had a sharp advance and I finally got in at a rather high price—61⅞. It is a little lower now and I would like your opinion as to whether it has a good chance to come back.—W. H. C., East Orange, N. J.

New Orleans, Texas & Mexico has a relatively small capitalization consisting of $15,000,000 common stock, $5,870,000 first mortgage 6s and non-cumulative income 5s of $13,634,000. For the 10 months ended October 31, 1921, net income was $1,706,605 as compared with $669,091 the same period of 1920. Estimating earnings for the last two months and the final result for 1921 should show close to 7% earned on the stock. The road is in good financial condition and as of December 31, 1920, had $1,295,000 cash on hand. When the fact is considered that most roads did not do well in 1921, this is an excellent showing and while the stock is speculative we believe it to have fairly good possibilities.

PITTSBURGH & WEST VIRGINIA

Valuable Coal Properties

As the holder of 500 shares of Pittsburgh & West Virginia Railroad stock I would like to have your opinion as to the advisability of holding for the long pull or switching into something else.—R. J. H., Trenton, N. J.

Pittsburgh & West Va. for the year ended December 31, 1921, will show a net income of $1,274,000, but this includes the $1,800,000 received in settlement of claim against the United States Government for the 26 months of Federal control. The railroad made a very poor showing in earnings in 1921 as there was a substantial falling off in gross business. Through control of the Pittsburgh Terminal R. R. & Coal Co. this company is interested in a valuable coal property in Allegheny County, Pa. While we believe the stock has fairly attractive long pull possibilities, the recent poor earnings have removed the chance of a dividend for some time to come and we do not believe it advisable to hold so much of this stock. Suggest that you switch into some low price dividend payer that also has a good possibility of advancing, that is to say, switch part of your holdings. A suggestion is Tennessee Copper selling around 10. This company has a working capital of $3,000,000 and favorable sulphuric acid contracts. It does not appear that at present prices the stock has discounted the improved outlook.

ST. LOUIS SOUTHWESTERN

Earnings Excellent

I am contemplating the purchase of St. Louis Southwestern preferred and Wabash Preferred "A." What do you think of these selections? Is there any other low priced stock that would care to suggest in place of one of these?—S. J. A., New York City.

We consider St. Louis Southwestern preferred stock as an excellent business man's speculation. The company has been reporting earnings several times the amount necessary to pay preferred dividends and, in our opinion, this situation must ultimately be reflected in an enhanced value in the price of the stock.

The Wabash Railroad has been reporting improved earnings over the year. The figures for the eleven months ended November 30, 1921, showed net of $3,995,820 against a deficit of $5,553,400 for the same period in 1920, one-half of the difference being due to operating economies. In view of the fact that the present market is within striking distance of the low, we are inclined to feel that the stock has speculative possibilities, but, we would suggest, in the event you invest in St. Louis Southwestern preferred, instead of also buying Wabash A you put your funds into Miami Copper selling around 26 a share and paying dividends at the rate of $2 per annum. The copper outlook is much better than it has been for several years past and Miami is one of the low cost producers. We consider this situation must be reflected in a higher price for the shares of the company and that a better speculative possibility is afforded in these shares than in Wabash A at the present time.

GOOD STOCKS TO HOLD

Atchison—Southern Pacific—"Fruit"

I have purchased for investment purposes 100 shares of Southern Pacific at 92, 50 shares of Atchison, Topeka & Santa Fe at 98, and 50 shares of United Fruit at 106. Would like your opinion of these securities.—S. E. A., Mechanicsville, N. Y.

While you have a loss in your Southern Pacific, we think very highly of it. This is one of the strongest roads in the country and has shown that it has been able to earn its dividend even under a period of adverse operating conditions. We believe the stock will sell at a higher range than at present ruling and would not advise disposing of it now.

You have a small loss in Atchison, Topeka & Santa Fe, and in United Fruit a nice profit. However, as you hold these stocks outright and for investment purposes, we suggest that you do not dispose of them as we feel the present prices have not discounted all the benefits accruing to the stockholders of these companies.

CHICAGO, MILWAUKEE & ST. PAUL

Improved Outlook

When railroad stocks were considered safe my old mother-in-law invested everything she had in Chicago, Milwaukee & St. Paul preferred. Of course the dividend is now cut and she derives no income. Will you be good enough to let me know what you think the prospects are for a resumption of dividends in the next year or so? Her broker has advised her to sell at present price of 30 and reinvest what is left. This would mean a 70 point loss.—B. R., New York City.

Chicago, Milwaukee & St. Paul did not earn its fixed charges in 1921 and there has been some talk to the effect that it will have difficulty in meeting certain ma-

(*Continued on page 652.*)

Brighter Outlook for Railroad Shares

Operating Expenditures in Better Hand — Roads Buying More Equipment in Anticipation of Larger Volume of Traffic

SEVERAL weeks ago the Atchison, Topeka and Santa Fe authorized the expenditure of $43,150,000 for improvements and additions to its property this year. It is significant that of this amount over $6,600,000 will be expended for additional main line facilities and $1,400,000 for the construction of a 55-mile extension in southwestern Kansas. It is understood that this is merely the forerunner of similar additions to property later on in the year. At about the same time the Chicago, Burlington and Quincy placed orders for 7,300 cars involving an expenditure of about $15,000,000. A number of other roads have entered the market for equipment and have otherwise announced their intention of improving and adding to their physical facilities.

What does all this mean—especially in view of the fact that during the greater part of last year most of the railroad transportation companies were niggardly with their allowances for improvement to property? The meaning of these large equipment orders and the awarding of a number of large contracts for improvement to roadway and structures is that, in the estimation of the executives responsible for these orders, the future holds out promise not only of the larger earnings which would warrant such expenditures but that a revival of business is impending which will require the newly added facilities. In other words, the railroad executives are looking ahead. It is not likely that many of them expect a very considerable revival of traffic this year but, apparently, they expect that business will within a year or so reach a very high level of activity. They are accordingly preparing for such developments. That is the meaning of the unusual preparations now being made with regard to the extension and improvement of railroad properties.

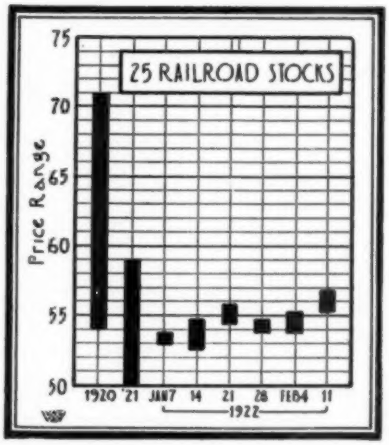
The Effect on Railroad Shares

Under the circumstances, one is warranted in speculating on the effect the brighter business prospects are likely to have on railroad shares.

We have seen, during the past few months, a really notable rise in railroad bonds, particularly in the well-secured bonds. This rise, however, was not so much predicated on the anticipated revival of railroad activity as on the decided improvement in the money market which released large amounts for investment. In other words, the rise in railroad bonds was more particularly due to the easement in money conditions than to any other source. This feature, of course, is understood by readers of the MAGAZINE OF WALL STREET who have already been acquainted with the factors operating on bond values.

The inferior lien and lower-grade railroad bonds, however, have not comparably shared in this general improvement in market value which we saw to have taken place in the case of the well-secured issues. Considering that the anticipated higher scale of earnings will improve the investment standing of these issues, it is reasonable to assume that such securities will sooner or later commence to discount the better conditions to come.

The railroad shares, in a manner similar to the second and third-grade bonds, have been disinclined to follow the advance in the highest type railroad bonds. Thus, the average price of twenty-five representative railroad stocks is currently about 57 which, it is important to note, is about the same as the average at the beginning of 1921 and 1920, respectively. In other words, railroad shares, as a group, are selling at prices about equal to those existent at the time of greatest depression in the railroad business notwithstanding that great and lasting reforms have been completed such as to greatly improve the basis on which the carriers operate. In other words, the



share market has done nothing whatever to anticipate the inevitable improvement in the earnings position of the railroads.

In this connection a vitally important comparison can be drawn between the action of industrial securities for the past eighteen months and that of railroad stocks. In this period, the latter (based on the market statistics of twenty-five representative railroad issues) have advanced from 50 to about 55—a truly small achievement. In the same period, twenty-five representative industrial stocks have advanced from a level of about 68 to the current level of approximately 87. **This discrepancy in the market action of the two respective groups of securities is striking in consideration of the fact that the same improving conditions which have been responsible for the advance in industrial securities must necessarily affect the carriers themselves and consequently their security issues.**

The Traffic Outlook

It is a well-established fact that the railroads have succeeded in paring their expenses to the minimum compatible with the attitude of the Interstate Commerce Commission—in the latter case particularly with regard to labor expenditures—and with their own safety. No means have been neglected of curtailing the expense accounts, and, in fact, some of the carriers have been accused of going to excess in this regard, by virtue of the fact that their maintenance accounts, have been greatly below normal. However, this is due to a natural desire on the part of railroad executives to improve the current financial position of their properties, and this excess of enthusiasm for economical handling of such properties, is not, broadly, a matter that would warrant great criticism, under the circumstances. In any case, the carriers as a whole, have decidedly lowered their expenditures and while this feature has been offset by the decline in gross earnings due to curtailed traffic and lower freight rates, the result has been that many of the roads now find themselves in an improved financial condition as compared with several years ago.

Traffic conditions at the present time are not eminently satisfactory, partly due to seasonal considerations and partly to depressed business conditions, generally. Nevertheless, conditions in this respect are better than a year ago this time suggesting that a permanent gain has been made in business conditions. Recently a number of Western carriers have reported a larger amount of freight hauled and in the East the coal-carriers have been doing somewhat better. The indications are that very shortly traffic statistics throughout the country will commence to reflect the improvement which is expected in industry and commerce.

During the past several weeks more interest has been displayed in the railroad share market than in a considerable period. A number of the leading issues have made modest advances and even some of the lower-priced issues have betrayed a sensitiveness to the anticipated improvement in traffic and earnings conditions. From a strictly market viewpoint, therefore, the railroad group of shares begin to look attractive.

Discrimination Necessary

The railroads are generally divided into two classifications: the stronger and weaker roads. Obviously the

(*Continued on page* 645.)

Industrials

Union Carbide & Carbon Corp'n

Union Carbide's Position

Earnings for 1921 Problematical—An Immensely Strong Organization

TOWARD the close of 1917, five independent concerns of very diverse sorts, were gathered together into what is now the Union Carbide & Carbon Corporation.

These concerns were:

- Union Carbide,
- National Carbon,
- Prest-O-Lite,
- Linde Air Products,
- Oxweld Acetylene.

The units forming the consolidation were direct participants in the business of the three most prosperous groups in the country at the time, i. e., the mines, the farmers and the motor industry.

Active in the consolidation, and later officers or directors, were some of the most prominent names in the industrial world, including Myron T. Herrick, C. K. G. Billings, G. M. Reynolds, and others of the same ilk.

Considering the thriving industrial conditions that developed following the consolidation, the strength of the products taken over, and the imposing directorate, it was not surprising that the company should have been eminently successful at the outset of its career.

Industrial Ramifications

It has been said that Union Carbide & Carbon catered directly to the mining, farming and motor industries. It should be added that the company supplies products to almost innumerable other fields.

The company has something close to 120 plants, and well over 200 warehouses, operated by 33 separate subsidiaries. These figures alone give a fair idea of its industrial ramifications.

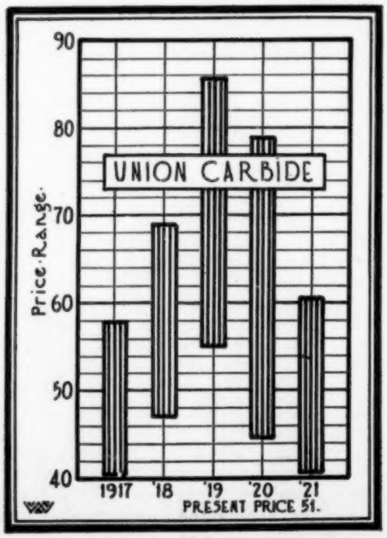
Among the company's chief "lines" is the air products business handled by the Linde Air Products Co. Here is one subsidiary alone with no less than 29 plants! Its products include oxygen, used for welding and cutting metals, and other commercially useful gases derived from the air. Linde Air Products has a capital outstanding of $11,900,000 common stock, par $100; and $750,000 6% cumulative preferred. The common has received 8% annually since the company's formation.

In the National Carbon Company, Union Carbide possesses a subsidiary whose products are standard in the motor industry, and which are used in innumerable other lines. Those products are electric batteries—dry, wet, and storage—flashlights, brushes, electric starters, carbon electrodes, etc., etc. This concern, at last accounts, had authorized and outstanding a total of $5,600,000 8% cumulative preferred; and an authorized 1,000,000 shares, without par value, of common, with 419,000 outstanding. Practically the entire issue of common stock is owned by the parent company. In 1917 and 1918, National Carbon paid dividends of $3 a share; in 1919, $4; and in 1920, $3.

UNION CARBIDE & CARBON
BALANCE SHEET, MARCH, 1921
(In thousands)

Assets:		Liabilities:	
Property	$98,735	Capital stock	*$109,029
Leaseholds, trade-marks, etc.	34,864	Preferred stocks of subs.	6,350
Investments	2,665	Notes, accounts and loans payable	8,474
Other securities	441	Accrued interest, dividends, etc.	4,116
Cash	6,158	Accrued federal taxes	1,394
Advances	873	Accrued dividends on subs. stocks	74
Notes and accounts receivable	20,185	Bonds and mortgages of subs.	8,246
Inventories	47,385	Res. for depreciation	9,088
Deferred charges	742	Surplus	65,275
Total	$212,050	Total	$212,050

*Equivalent to $42 a share.



This battery and flashlight subsidiary also represents a large plant investment. Eleven units are being operated by it in this country, as well as an associated unit in Canada—the Canadian National Carbon Co., Ltd.

What is probably Union Carbide's third largest branch is the acetylene business, engaged in more or less directly by the old Union Carbide Company, the Oxweld Acetylene Company and the Prest-O-Lite Company. Through these subsidiaries, the parent company produces not only the materials from which artificial gas is made, but the machines needed for the purpose as well.

Financial Progress

Although Union Carbide & Carbon, for reasons of its own, has never published an earnings statement, enough is known to indicate that the company was immensely prosperous in the early months of its career. Dividends, after being started at $4 a year, were raised to $5, and then to $6. Even though, at the higher rate, these dividend payments called for disbursing something like $17,000,000, the company was able to make them without harming its remarkably strong financial position. As will be seen from the accompanying balance sheet (the company's first and last), Union Carbide was able to report, in the midst of last year's industrial slump, a well-nigh impregnable condition. Including only cash, notes and accounts receivable and inventories, totaling $73,700,000, as current assets; and counting notes, accounts and loans payable, dividends payable and accrued taxes, totaling $13,000,000, as current liabilities, the company is seen to have a working capital of over 60,000,000 dollars.

Effects of Slump

Union Carbide was not entirely immune, however, from the effects of the industrial slump. Demand for its fertilizers, its mining apparatus, its construction tools and materials, its motor equipment and practically all of its other products was bound to decrease following the decline in prosperity.

How far earnings declined it is not yet officially known. However, earnings early in 1921 were forecasted at about $6 a share, or just enough to meet the then dividend requirements. In the months following, it is believed that the company's earnings suffered a further reduction. In fact, it would surprise some students of

(Continued on page 649.)

Advance-Rumely Company

Business Prospects Not Very Brilliant

Company in Fairly Good Financial Position But Affected by Keen Competition

WHEN the general depression in business and decline in prices hit this country, the manufacturers of harvesting machinery found themselves in a very unfortunate position. They were practically all loaded up with high inventories which could not be worked off, even at price concessions, as the demand for their product fell to minimum proportions. Advance-Rumely Co. was no exception and the company's report for the year 1921 will make a rather gloomy showing.

At the end of 1920 this company found itself with the highest inventories in its history, the total being $10,489,000. During the year 1921, operations did not average more than 20% of capacity, as a result the company was unable to show a profit and only succeeded in reducing its inventories about $2,500,000. The annual report has not as yet been issued, but it is reliably estimated that loss from operations was in the neighborhood of $750,000. Inventories at the end of 1921 were about $8,000,000. As of December 31, 1920, the company had written down its inventory to cost or market price, whichever was lower, so that on its inventory remaining at the close of 1921, probably not more than 15% will have to be written off for depreciation. On this basis there will be a total deficit for 1921 of about $2,000,000.

ADVANCE-RUMELY

	Net earnings	Earned preferred	Per share common
1916	$283,000	$2.28	....
1917	550,557	4.41	....
1918	1,188,929	9.53	$3.20
1919	2,401,907	19.25	12.02
1920	1,277,232	10.24	3.84
*1921 deficit.	2,000,000	....	....

*Estimated.

While this is a serious loss, the company was fortunately in a strong enough financial condition to be able to stand it without having recourse to additional financing, which so many industrial concerns were obliged to do. At the end of the year the Advance-Rumely Co. was borrowing about $1,000,000 at the banks, not a very large sum in view of the $8,000,000 inventory account.

Business Outlook Not Encouraging

While the company has nothing to worry about at the present time as regards its financial condition, the outlook for its business is not particularly encouraging. Competition in the harvesting machinery trade is very keen and the demand not particularly heavy. Henry Ford and other large automobile interests have gone into the farm-tractor industry heavily and the result has been that, in order to meet this competition, other tractor manufacturers have had to cut prices drastically. Unfortunately for such companies as Advance-Rumely, this is apparently going to be a more or less permanent condition of affairs, and will mean, in the writer's opinion, considerably smaller profits than have been shown in the past several years.

Of course, too gloomy a view of the future should not be taken, as this company is generally regarded as having an efficient organization and its business is well established. By strict economy the company should be able to make a small profit when general business picks up

History and Capitalization

Advance-Rumely is a reorganization of the old M. Rumely Co. In the period 1913-1915 the old M. Rumely Co. found itself operating at a loss and being unable to redeem some $7,000,000 of farmers' notes, hypothecated with the banks, was forced into receivership in the early part of 1915. The reorganization was a drastic one, bonded debt being scaled down from $12,120,589 to $3,350,000 and since reduced to $850,000. Moreover, ample working capital was provided and enabled the company to actively push its business. As can be seen by the accompanying table the company was very successful up to 1921, and as a result its financial condition is sound. After taking into account the losses that were probably sustained in 1921, the working capital of the company at the present time is about $11,500,000. This compares with a total capitalization of $850,000 bonds, $12,000,000 6% preferred stock and $13,750,000 common. Land, building, machinery, etc., are carried on the balance sheet at approximately $6,000,000, and this is believed to be a decidedly conservative valuation. It can be seen, therefore, that there is a large asset value behind the preferred stock, the working capital alone being equivalent to $85 a share and the fixed assets to an additional $48 a share.

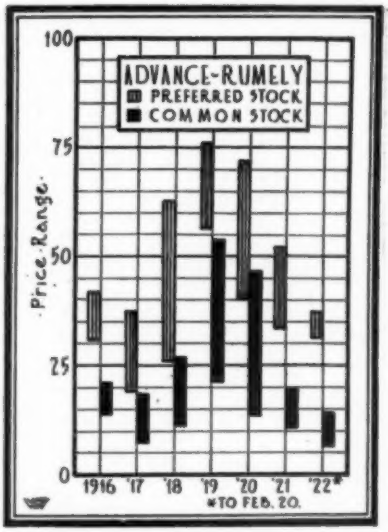
The Preferred Dividend

Were the company facing favorable conditions in its industry the preferred stock would appear to be in an unusually strong position. Dividends, however, are not as a rule maintained very long when they have to be paid out of accumulated surplus and as, under present conditions, it does not appear that the company will be able to show much in the way of earnings in the current year, there is a good deal of question as to whether the present dividend of $3 a share on the preferred stock will be maintained.

The preferred stock became cumulative after January 1, 1919, and starting April 1 of that year its regular dividend of 6% was paid up to August 1, 1921, when the rate was reduced to 3%. No dividends have ever been paid on the common stock of this company.

The property taken over from the old M. Rumely Co. consisted of five manufacturing plants at La Porte, Ind.; Battle Creek, Mich.; Richmond, Ind.; Stillwater, Minn., and Toronto, Ont. These were too widely scattered to insure economical operation, and the directors decided to dispose of the Richmond and Stillwater plants. These were sold in 1917, the company confining its operations to the three remaining plants. The company's plants are well situated with regard to the great agricultural communities of the Northwest and Canada, which it supplies. The line of goods manufactured by the company is extensive, and designed to meet practically all machinery needs of the farmer. Among the products manufactured are tractors of various sizes and descriptions, grain and rice separators, clover and alfalfa hullers, fuel and water tanks, tractor plows and other accessories.

At present price of about 38, the preferred stock has of course, to a considerable extent, discounted the unfavorable showing made in 1921 and the rather unpromising outlook. As can be seen by the accompanying graph, this stock, in both 1919 and 1920, sold at twice its present price and is only a few points above the low of 33, made in December, 1921. The fact that it stays so close to its low levels, when other stocks have generally had very material advances, undoubtedly reflects the



opinion of the investing public, that the price-war in tractors started by Ford is going to make it rather hard sledding for this company for some time.

In view of the very large asset value behind the stock, it would appear to have some possibilities as a long-pull speculation, a good deal depending on the ability of the management to conserve the company's resources. It would appear, however, that there are many other securities offering better opportunities for appreciation in value in the near future than does Advance-Rumely preferred.

Back dividends on the preferred stock now amount to 1½%, and as these back

(*Continued on page 649.*)

What Its Management Expects of General Motors Corporation

Chairman Raskob, of Finance Committee, Outlines Company's Position and Prospects

GENERAL Motors has something like 70,000 stockholders. A couple of years ago it had only about 17,000. At that time the common stock was selling in the twenties. Recently it sold at 8⅛.

Under the Durant regime average holdings were something over 1,000 shares; at present the average is less than 300 shares. These figures tell a big story. They indicate that the small investor has expressed his confidence in the present management of the General Motors Corporation by investing his capital in the business at the prevailing low prices. They seem to like a partnership with DuPont and Morgan.

Our Inquiry Department constantly receives a great number of letters asking our opinion as to the future of General Motors. Some people seem to be somewhat staggered by the decline in the price of the stock of a company having such tremendous prestige, such unlimited banking support, and with such high calibered business brains back of it.

What Stockholders Want to Know

What every stockholder wants to know is the real story of the present situation in General Motors, looking at it from the standpoint of those who have purchased the shares at higher prices, or who are worrying over purchases made in the single figures. And so with the avowed purpose of securing an authoritative statement, I called on Mr. J. J. Raskob, Chairman of the Finance Committee, also one of the Executive Committee, and a director of the company.

"I am very glad to give you my view of the situation," said Mr. Raskob. "You are of course familiar with the reports of the General Motors in the automobile field, but comparatively few people realize that exclusive of Ford, who last year produced over 50% of the total cars manufactured, General Motors was responsible for about one-third of the total American output. Including Ford, General Motors produced 17% of the total, making it the second largest single factor."

Mr. Raskob stated that the outlook for the industry is distinctly encouraging; in fact, to quote him, he believes that: "The situation in the trade is much better than in many other lines of business, especially when the potential demand is considered. Judging from the registration of automobiles in 1921, we estimate that there are a great many people who have continued their old cars in service, just as in hard times people wear their old clothes longer than usual.

"The average life of an automobile is from five to six years, and judging from the total of cars previously manufactured, we estimate that there should have disappeared from service in 1921 about 1,500,000 automobiles. The actual number withdrawn, as indicated by the registration, was only about 200,000.

"If to the 1,500,000 automobiles which have to be replaced annually, we were to add 500,000 cars to cover additional requirements of both old and new users, it would give a total of 2,000,000 cars which we think is a very conservative estimate of the total annual production which will be required in the industry. This shows what the future has in store for well established companies."

Strong Companies Strengthening

"The tendency is all toward strengthening of the strong companies and elimination of the weak ones. There are in excess of one hundred manufacturers of passenger automobiles in the United States today, of which comparatively few companies turn out the bulk, leaving a small percentage for all the rest. The few leading quantity producers have demonstrated that the money is in large production and in the well known brands. Character, stability, financial resources carry with them an assurance of continuation in the business, which is one thing the automobile buyer of today demands, and he insists on knowing that if he runs his car four or five years he is assured of getting parts without having them made to order, as he might have to do in case his company went out of business."

PASSENGER CAR OUTPUT OF SIX LEADING COMPANIES

	1920	1921
Ford	885,000	855,000
General Motors	327,681	192,000
Dodge Bros.	129,624	89,350
Studebaker	52,653	66,000
Willys-Overland	104,569	51,300
Nash	34,634	23,600
Total 6 companies	1,534,161	1,297,250
Per cent of 6 companies' production to grand total	81%	84%

Mr. Raskob believes that the potential demand mentioned above will assert itself as general business conditions continue to improve. His company, in January, ran double the business they did in January, 1921, and with inventories marked down to the prevailing costs of materials, he feels confident as to the company's future.

GENERAL MOTORS' NEW BUILDING
Recently erected in Detroit and called by Chairman Raskob "one of the best investments we ever made"

In his opinion, price cutting has been carried entirely too far, and the tendency, he believes, from now on will be toward an increase. In some cases substantial increases will occur. As he put it, "There may be some further cuts by small and weak companies attempting to avoid receivership because concerns which are in difficulties very often find it hard to sell their products. Rumors are very dangerous in this business, for as soon as the public fears that a company is financially weak, its sales drop off at a terrific rate. But the companies that have lived through the recent depression will be all the stronger for it, and the motor car industry will be on a firmer foundation."

I pointed to a photograph of the big General Motors building in Detroit:

"I believe," said Mr. Raskob, "that building typifies the size and strength of the motor industry, also the stabilizing influence of the corporation in the trade. It is one of the best investments the company ever made."

Conditions in the Motor Industry

"While it is difficult to say what normal conditions are in the automobile industry, owing to the violent fluctuations of the past few years, I believe conditions are steadily approaching normal.

"So far as General Motors is concerned we look upon it as a thoroughly sound and stable industrial, engaged in the fundamental business of transportation, employing upwards of $500,000,000 of gross capital, on which it would seem an average minimum of 10% should be earned; thus giving average earnings of at least $50,000,000 per annum to meet our preferred and debenture stock dividend charges of approximately $6,000,000, and leaving some $44,000,000 for the common stock, or better than $2 per share.

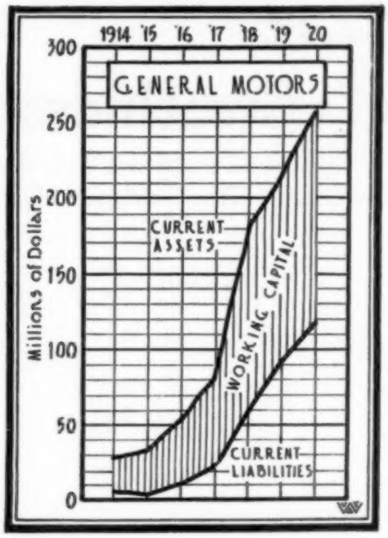
"When one considers that the average earnings of all of the national banks in the country for a period of

ten years prior to the beginning of the war in 1914 were equal to approximately 10% on the total capital (capital and surplus) employed in these banking institutions, it seems most conservative to expect that an industrial organization such as General Motors should have no difficulty in realizing 10% on capital employed, for the reason that the greater hazards incident to capital invested in an industrial enterprise as against capital invested in the banking industry should be entitled to greater return by reason of the greater hazard."

The Future of the Shares

I told Mr. Raskob that the situation in General Motors was very like that which obtained in U. S. Steel early in 1904, when the preferred stock was selling at 50 and the common below 10, these prices indicating that most of the water had been squeezed out of the capitalization.

"That is true," said he, "and while we may say frankly that the price of the shares is the result of legitimate supply and demand, and that so far



as we know no attempt has been made to control the market price of the stock, I have been informed that a number of people are purchasing the preferred and common shares in combination, depending upon the dividends on the former to carry the latter."

I explained that this method was in vogue at the time U. S. Steel common sold at $10 a share, and that in The Magazine of Wall Street's Investment and Business Service, some weeks ago, we had recommended to our subscribers that those who wished to take a long look ahead, and who believed in the company's future, might benefit in this way. With one share of 6% preferred, then selling at 72, and two shares of common costing about 17, the total cost of the three shares would be 89, on which $6 per share dividend on the preferred would give a return of 6.7% on the combined investment.

My conclusion as a result of this interview was that the stockholders of General Motors have reason to congratulate themselves upon the present management of the company, which is solidifying its organization and placing

(Continued on page 643.)

Industrial ***Oil*** ***Mining***

Investors' Indicator

Current Earnings—Dividends—Working Capital

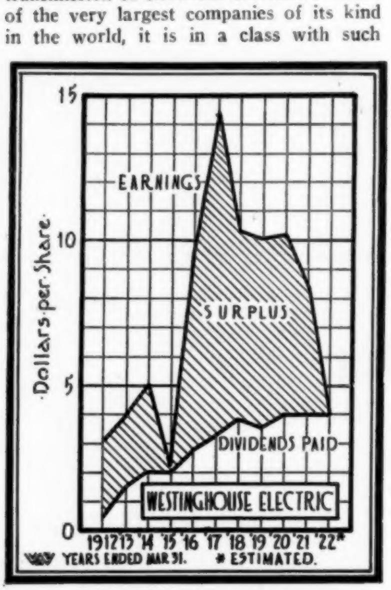
	Dollars Earned Per Share in 1921: First Quar.	Second Quar.	Third Quar.	Fourth Quar.	Six Months	Twelve Months	Present Dividend Rate†	Recent Price	Yield on Recent Price %	Remarks
Industrials—										
Allis-Chalmers	1.89	1.34	0.51	0.37	...	4.11	4	44	9.1	Working capital, $24,000,000.
American Can com.	...	...	...	...	...	2.76	...	40	...	Working capital, $29,750,000.
Amer. Druggists' Syndicate	...	...	...	...	def.	def.	...	6	...	1921 deficit, $223,568.
Amer. Hide & Leather pfd.	def.	2.00	1.00	1.05	...	def.	...	66	...	1921 deficit, $550,257. Working capital, $5,000,000.
Amer. Locomotive com.	...	...	...	...	12.10	...	6	110	5.5	Working capital about $42,000,000.
Baldwin Locomotive	...	...	...	...	...	18.22	7	106	6.6	Working capital, $41,790,000.
Butterick Co.	...	...	...	...	3.99	...	...	31	...	Estimated earnings 1921, $8 a share.
Central Leather	def.	def.	def.	surp.	def.	def.	...	33	...	1921 deficit, $11,651,425.
Coca Cola	0.90	1.90	2.20	...	...	...	4	45	8.9	Now operating on low priced sugar.
Colorado Fuel & Iron	1.59	def.	def.	...	...	...	...	27	...	Nine months' deficit, $579,094.
Consolidated Textile	...	...	...	...	def.	...	...	12	...	Six months' deficit, $673,777.
Corn Products com.	1.70	1.88	3.96	...	...	...	6	103	5.8	Working capital about $80,000,000.
Endicott Johnson	...	...	...	...	4.29	...	5	79	6.3	Working capital, $20,000,000. 1921 earnings about $11.
Famous Players	6.42	6.00	4.42	...	...	...	8	81	9.9	Working capital, $10,000,000. 1921 earnings about $20.
General Motors	...	...	...	...	0.31	...	...	9	...	Working capital, $125,000,000.
Gulf States Steel	...	...	...	...	...	...	...	73	...	Nine months' deficit, $392,806.
Internat. Motor Truck com.	def.	0.89	def.	...	...	...	...	27	...	Nine months' deficit after preferred dividend ends, $300,000.
Lackawanna Steel	0.01	def.	def.	...	def.	...	...	47	...	Nine months' deficit, $2,709,295.
Pierce Arrow pfd.	def.	def.	def.	...	def.	...	...	30	...	Nine months' deficit, $4,000,000.
Republic Iron & Steel com.	def.	def.	def.	...	def.	...	...	52	...	Nine months' deficit, $3,939,972.
Stewart-Warner	...	...	...	...	...	...	2	33	6.0	Nine months' earnings, $1.59.
Stromberg Carburetor	...	...	...	...	0.68	...	...	39	...	Working capital, $1,000,000.
Studebaker com.	3.23	6.83	5.15	...	...	...	7	96	7.3	Working capital, $80,000,000.
U. S. Steel com.	1.80	0.35	def.	...	...	...	5	93	5.4	For nine months earned $2.08 on common.
Vanadium	...	...	...	...	def.	...	...	35	...	Six months' deficit, $64,204.
Oils—										
Caddo Central	...	...	...	...	def.	...	...	11	...	Six months' deficit, $228,668.
California Petroleum	3.72	4.07	1.83	...	...	...	...	49	...	Working capital, $2,650,000.
Cosden & Co.	...	...	...	...	2.71	...	2.50	35	7.1	Earnings before depreciation.
General Asphalt	...	...	...	...	def.	...	...	62	...	Six months' deficit, $911,557. Working capital, $2,850,000.
Houston Oil	8.00	0.89	0.90	...	...	...	...	76	...	Earnings before depreciation, but do not include lumber sales.
Island Oil	0.58	0.02	0.06	...	...	...	...	2	...	Properties in Mexico.
Mexican Petroleum	...	...	...	...	17.50	...	12	120	10	Net current assets, $14,000,000.
Middle States Oil	...	...	...	...	2.06	...	1.20	13	9.2	Earnings before depreciation.
Pacific Oil	1.43	1.42	0.94	...	...	...	3	47	6.4	Earnings after depreciation.
Pan-American A.	...	...	...	...	6.07	...	6	54	11.1	Owns 70.5% of Mex. Pet. com. and 75.2% pref.
Pierce Oil com.	...	...	...	...	def.	...	...	8	...	Six months' deficit, $2,348,133.
Sinclair Consol.	...	...	...	...	0.60	...	...	19	...	Net current assets, $50,000,000.
White Oil	...	...	...	...	0.37	...	...	9	...	Earnings before depreciation.
Mining—										
American Smelting com.	...	...	...	...	def.	...	...	46	...	Six months' deficit, $3,203,066.
American Zinc pfd.	def.	def.	def.	...	def.	...	...	39	...	Nine months' deficit, $148,330.
Chino	...	...	...	...	def.	...	...	25	...	Six months' deficit, $857,746.
International Nickel	def.	def.	def.	...	...	...	...	12	...	Deficit 9 mos. ending Dec. 31, $1,042,745.
Nevada Consolidated	def.	def.	...	...	def.	...	...	14	...	Six months' deficit, $225,492.
Ray Consolidated	def.	def.	...	...	def.	...	...	14	...	Six months' deficit, $551,505.
Utah Copper	def.	def.	...	...	def.	...	2	62	3.2	Six months' deficit, $534,037, before com. divs.

†Dividend rate given covers regular declared dividends on yearly basis. Extra or stock dividends are indicated in foot notes.

One of the World's Great Industrial Corporations

Great Improvement in Financial Condition—Business on the Up-Grade—The Position of the Dividend

WESTINGHOUSE ELECTRIC & MANUFACTURING CO. needs no introduction to readers of this MAGAZINE. Suffice to say that with General Electric it practically controls the manufacture of apparatus involved in the transmission of electrical currents. As one of the very largest companies of its kind in the world, it is in a class with such giants as General Electric, United States Steel, General Motors, Allied Chemical and Union Carbide.



Under conditions which existed in the industrial world during the major part of 1921, it was not to be expected that even Westinghouse Electric, with its world-wide prestige, should have totally escaped the effects of the disastrous decline in business. Yet, when the general conditions which obtained in that period are taken into consideration, it will be seen that the company really made an unusually good showing.

Thus far the fiscal year ended March, 1922—based on actual earnings for the first nine months of the year—Westinghouse will have earned about $4 a share, which about covers the regular dividend on the common stock. This, as said before, is not such a bad showing considering the prevalent conditions, even when earnings of $8.43 a share in 1921 and $10.16 a share in 1920, are considered. However, in those two years abnormal conditions prevailed throughout the world and a fair comparison cannot be made between earnings for the 1922 fiscal year and those of the two previous years.

Improvement in Finances

Notwithstanding the unfavorable conditions under which Westinghouse was compelled to operate in 1921, its financial position was materially strengthened. Inventories were reduced about 33%, from $80,700,000 to about $55,000,000. Notes and accounts receivable came down from $42,200,000 to around $28,500,000, and accounts payable were reduced from $6,600,000 to $4,000,000 less than this amount.

At the same time, bank loans which formerly stood at $20,775,000 were entirely wiped out. The company now has $12,000,000 in cash and securities. These results are remarkable when it is considered that billings during the fiscal year were at the rate of only 75% of the previous year.

Since November the company has shown an improvement with regard to the volume of business carried on its books, particularly in the basic lines. This improvement has largely been since continued and the outlook, generally, is for a more active and prosperous year for the company.

Outlook for 1922

Westinghouse is engaged in the manufacture of electrical equipment and is one of the most important companies in this field. It is also largely interested in the manufacture of railroad supplies, and the fact that the carriers are now showing a disposition to enter the equipment field on a larger scale than for a considerable period, suggests a very definite field of exploitation for the company during the coming year. The railroads, as a whole, are coming into a better financial position, and this should be of great benefit to all their regular customers, of which Westinghouse is one.

It is significant that the company has earned a very fair balance for its common stock in the past eleven years. In this respect it is one of the most consistent among the industrial companies. In this period it earned a total of about $82 a share on the junior stock, at the same time paying out only $29 a share in dividends, leaving a surplus of $53 a share. The company has at all times been conservative with regard to the rate of dividend distribution and, as a consequence, found itself in a splendid position to face the difficulties occasioned by the period of deflation.

WORKING CAPITAL
(as of March 31)

	Total	Per share
1915	$28,230,000	$37
1916	31,244,000	50
1917	57,236,000	35
1918	60,391,000	24
1919	69,694,000	31
1920	70,894,000	42
1921	90,580,000	35

Westinghouse has made generous allowances for depreciation and carries its property account at about the same figures as in 1915, notwithstanding the increase in value. The equity behind the common stock on April 1, 1921, was valued at $76 a share. The stock is currently quoted at about 54.

Capitalization

The total funded debt of the company consists of $36,335,000 bonds, against total assets of $206,000,000. This is a comparatively light charge against a company that

(Continued on page 655.)

East Pittsburgh Works, Western Electric Co.

American Writing Paper Company

Writing Paper Industry Passes Crisis

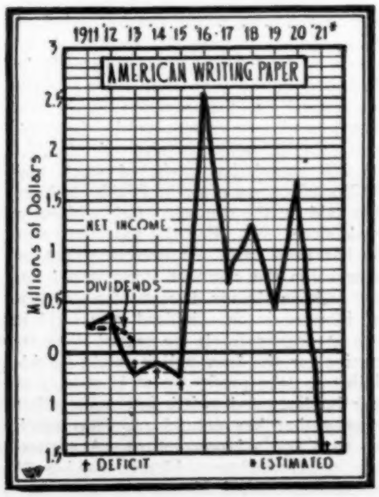
Inventories Marked Down—Funded Debt Reduced —Prospect for Dividends on the Preferred Stock

AS has been the case with practically all corporations in the paper industry American Writing Paper Company in 1921 passed through a very trying period. The collapse in the writing paper industry came in the latter part of 1920 when, out of an apparently clear sky, cancellations poured in from all over the country, and the market almost over night completely vanished. This company had heavy commitments for high-priced pulp and other material, but with orders for finished paper well in excess of the quantity covered by the raw material. Cancellations, however, put the company in a bad position and heavy losses in inventory account resulted.

The experience of the writing paper companies was like that of many other big industrial concerns. The demand disappeared so quickly that no opportunity was afforded the manufacturer to save losses by offering his merchandise at price concessions. Such concessions in fact would not have sold the goods as there was literally no market at any price. As a result of these inventory losses and reduced business American Writing Paper for the year 1921 is going to show a good-sized deficit. The annual report of the company has not yet been issued but reliable estimates are to the effect that the deficit for the year will reach $1,500,000. This loss, while substantial, is not such a bad showing as it includes practically all the loss that the company will have to face in its inventory account and it starts the current year with everything marked down to market prices.

Protected by Past Profits

Fortunately the company was well fortified to stand the losses it had to take in 1921 as it had built up a strong financial condition by withholding dividends on its stock in the period of inflation when large profits were shown. In the four years ended December 31, 1920, net income totaled $6,048,000, equal to 48.40% on the preferred stock and all of this has gone toward strengthening the company's financial structure. This has been largely reflected in its funded debt. In 1915 funded debt stood at $17,000,000 and working capital was $5,800,000, whereas now the funded debt is only about $9,200,000 and the working capital, after taking into account the losses sustained in 1921, about $6,000,000.



Through reduction in inventories the company is at the present time, in easy financial condition. Its cash and accounts receivable total about $2,600,000, as against current liabilities and accounts payable of approximately $900,000. It is in a position, therefore to take full advantage of any improvement that may take place in its business. Of material advantage has been the collapse in the pulp market in the past year, enabling the company to secure at very advantageous prices its supplies of raw material. Operations now are running at about 65% of capacity and while profits cannot be very satisfactory under these circumstances, the company at least is no longer showing red ink figures and the outlook is that, for the year 1922, there will be a moderate surplus.

New Marketing Methods

In the past few years new blood has come into the management of this concern and its efficiency improved. Under the administration of President Galliver several radical departures have been made in the company's manufacturing and selling policies. These innovations were instituted soon after he came to the company and were continued vigorously during the past year. The wasteful multiplicity of brands and grades of paper, has been done away with and in the place of thousands of grades, merchandised through jobbers not interested in the company, it has standardized down to 60 grades. Today the company is marketing almost 60% of its product through jobbers under its own well known brands. A few years ago less than 6% of its product was so marketed.

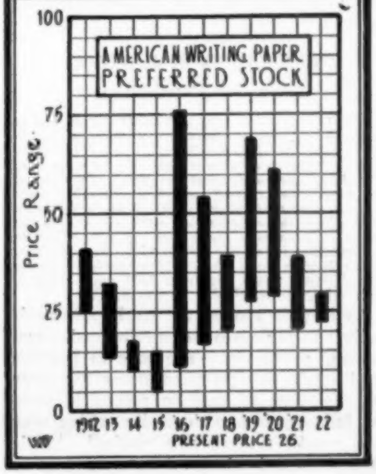
For a long period of years before the war American Writing Paper reported very indifferent earnings considering the important position this company holds in the writing paper industry of the United States. It has been felt for a long time that the management was not as efficient as it should be and the indicated improvement in this regard should be considered by stockholders very important. Foreign competition is of course now going to be a permanent factor in the company's affairs, but with reasonable tariff protection and efficiency in operation there would appear to be no good reason why this company should not be able in the future to show reasonable profits.

Centralization of Operation

American Writing Paper owns manufacturing plants, mill sites and water power principally located in Massachusetts and Connecticut with several properties in the middle western states. The water and steam power developed in these plants is equal to 35,280 horsepower, with a productive capacity of 350,000 tons per day of high grade writing and book papers. The operation of the organization, because of many mill units has not, as already stated, been very efficient in the past. Many of the duplications in effort and unnecessary expense has been recognized and action taken to eliminate them. Centralization of operation and control as now practiced by the company has already eliminated a good deal of the old time waste.

Capitalization of the company consists of $9,200,000 6% bonds, $12,500,000 7% cumulative preferred stock and $9,500,000 common. These bonds were issued in 1919 and mature Jan. 1, 1939. The bonds were to bear interest at the rate of 7% until the first semi-annual installment after the United States proclaimed war with Germany ended. The interest payable July 1st 1922 and thereafter will accordingly be at the rate of 6%. These bonds are a first mortgage on the entire property of the com-

(*Continued on page* 651.)



Answers to Inquiries
On Industrial Securities

AMERICAN WOOLEN
Dividends Earned in 1921

Before the bear market set in I purchased some American Woolen common stock at a very high price. However, as I believed in the company, because of its large working capital and valuable plants I purchased considerably more at lower prices, bringing my average price down so that at present price of 84 I can get out at a small profit. Would you advise getting out of this commitment with a whole skin while I can do so, or hold for a larger profit? I can afford to take a certain amount of risk.—R. J. H., Springfield, O.

Considering the fact that American Woolen was carrying very heavy inventories it came through the period of depression in remarkably fine style. For the year ended December 31, 1920, the deficit after dividends was only $156,478. The big loss in inventories in 1920 was offset by the large earnings in the first six months of the year. In 1921 there were also losses in inventories to take, but in the last six months of the year operations were close to capacity so that these losses were counterbalanced. The full report for 1921 has not been issued but it is semi-officially estimated that the 7% dividend on the common stock was earned with a small margin to spare. This showing in 1920 and 1921 was rather remarkable when the fact is considered that inventories had climbed up to about $50,000,000 just before the big drop in prices, and indicates the substantial character of this company's business.

The asset value behind the common stock is very large indeed. Working capital alone is about $64,000,000 as compared with total capitalization of $40,000,000 7% cumulative preferred and $40,000,000 common stock. When to this is added the very valuable plants of the company assets available for common stock total over $175 a share.

We do not believe that conditions as unfavorable as have just been passed through by this company are likely to be faced again and in view of the big working capital and other assets the stock at present levels of 84 still appears to be relatively cheap, and our advice would be to hold for higher prices.

REPUBLIC IRON & STEEL
Long Pull Possibilities

About two years ago, influenced by the large earnings and strong financial condition of Republic Iron & Steel I purchased some of the common and preferred shares outright with the idea of holding for investment purposes. In view of the poor earnings and uncertain outlook I have become somewhat uncertain as to the desirability of holding these securities although at present prices they show a large loss. I can afford to do without dividends for a while and if these stocks have a good chance of ultimately coming out all right would prefer to hold on. What is your advice?—A. F. H., Scranton, Pa.

As is well known, the steel industry is subject to periods of severe depression and unusual prosperity. The time to buy the steel stocks is when conditions are poor and the time to cash in profits is when the industry is booming. By selling now you would reverse this method. While improvement in the steel industry may be slow sooner or later it is bound to come about and we believe it advisable to keep your stock as when conditions are better it will probably be selling at higher levels.

During the war period Republic Steel piled up huge profits and as it was conservative in dividend payments it built up a strong financial condition. It is, therefore, well fortified to go through a period of depression. Another important point to consider is the possibility of a merger of the independent steel companies. While there is nothing definite in regard to this we believe it quite likely to occur. This would be of decided benefit as operating costs would be materially reduced. Republic is prominently mentioned as one of the companies to be included in a merger and should this materialize it would, in our opinion, cause a substantial advance in the stocks of this company.

For the nine months ended September 30, 1921, the company reported a deficit after dividends of $3,939,972 and another deficit is expected in the last three months. In spite of these losses, however, the working capital of the company is still around $20,000,000. Capitalization consists of $13,374,000 bonds, $25,000,000 7% cumulative preferred and $30,000,000 common. For the six years ended December 31, 1920, $148 a share was earned on the common and $25.50 paid out in dividends.

The dividend on the preferred stock has just been passed, but we do not believe it will be a very long wait before it is again resumed.

AMERICAN LIGHT & TRACTION
Considerable Improvement

I have been inclined to favor recently the purchase of good public utility securities, as I regard the outlook for this class of security favorable. Do you agree in this view? Have been considering the purchase of American Light & Traction and would appreciate a few facts from you in regard to it.—F. S., Hartford, Conn.

American Light & Traction Co. is a holding company and controls through stock ownership valuable public utility properties in various sections of the United States. This company has shown satisfactory earnings over a long period of years. During the period of inflation earnings fell off somewhat due to higher operating costs. We agree with you that the outlook for the public utility companies is excellent and earnings have already shown an upward tendency. For the year ended December 31, 1921, American Light & Traction reported $9.39 a share earned on the common stock, as compared with $8.08 in 1920. In view of the fact that the first quarter of 1921 showed a deficit after dividends of $503,334 it can be seen that there was a remarkable improvement in the latter part of the year.

This company has paid dividends on the common stock without a break since 1904. At the present time dividends are being paid at the rate of 4% per annum in cash and 4% per annum in stock.

The financial condition of the company is excellent. As of December 31, 1921, cash on hand was $1,304,662 and accounts and bills receivable $9,800,000 as against current liabilities of about $1,000,000. Capitalization consists of $6,000,000 6% gold notes due May 1, 1925, $14,236,200 6% cumulative preferred stock and $27,995,600 common stock, par $100.

In 1920 the common stock sold as high as 204 and in 1919 up to 277½. In 1920, 7¾% was paid in cash and 8½% in stock and in 1919 10% was paid in cash and 10% in stock. There would appear to be good reason for believing that, with earnings improving and operating costs coming down, this company in the next year or so will be again in a position to pay more liberal dividends to stockholders and at present levels of around 113 we regard the stock as an attractive long pull semi-speculative investment.

NATIONAL BISCUIT
A Strong Company

I have held 150 shares of National Biscuit for several years, regarding this in the light of a more or less permanent investment. As the stock has not increased its dividend I have been wondering whether it would not be good policy to take my profits at present prices of around 135 as this appears rather high for a 7% stock. What is your advice?—R. N. L., New York City.

National Biscuit is one of the strongest of our industrial corporations. Its annual report for the year ended December 31, 1921, showed a remarkably strong financial condition. Cash and United States Government securities on hand totaled $13,830,000 and accounts receivable $3,592,000 as against accounts payable of only $1,060,000. Working capital, including inventories, is over $20,000,000. This is undoubtedly a larger working capital than the company requires to handle its business and the company would appear to be entirely justified in increasing its disbursements to stockholders. The recent advance in the stock undoubtedly reflects the opinion of investors that more liberal payments will be made in the near future.

The company has shown a remarkably consistent earning power over a period of years and is apparently unaffected by periods of depression. This was strikingly illustrated in the year 1921 when 13.48% was earned on the common stock, the largest earnings ever reported by the company. Capitalization consists of $24,804,500 7% cumulative preferred stock and $29,236,000 common stock. Dividends have been paid on the common stock without a break since 1899. For the past ten years 7% has been paid. At present prices of around 135 the common stock would appear to have already discounted a substantial increase in the dividend rate. While even at present levels we regard it as attractive for the long pull it might be advisable to take profits on at least part of your holdings and switch into some other security that has not advanced so much and pays you a larger return. A suggestion is Westinghouse Electric paying $4 and selling around 55.

UNITED STATES STEEL

A Good Investment

What do you think as to the advisability of holding United States Steel common? I am the owner of fifty shares, for which I paid 97.—C. M. E., Detroit, Mich.

United States Steel by a conservative dividend policy has piled up huge assets behind its common stock and we regard it as an excellent security to hold for the long pull. The indications are that there is some improvement in the steel industry at the present time. Sooner or later another boom in the steel industry is pretty sure to come and when it does, we feel quite confident that U. S. Steel common will go a good deal higher than the price you paid for it. Of course, no one can forecast just when the steel business will be on the crest of the wave again. Steel common, however, is still paying its 5% and even if the depression lasts for some time, we do not think that there is any likelihood of the dividends being reduced because of the company's very strong financial condition.

CONSOLIDATED TEXTILE

Has Strike on Hands

May I be favored with your opinion concerning the general financial condition of Consolidated Textile and the possibilities of its stock as a spec-vestment?—M. E. H., Albany, N. Y.

Consolidated Textile for the first six months of 1921 reported a deficit of $673,-777, after calculating inventory depreciation and all other charges. In the last three months of operation in 1921, the company was able to show a small balance after charges. The company has just proposed a wage cut of 20% to apply to the employees of the Knights mill. It is estimated that this reduction will result in the saving of about $1,000,000. As a result, six out of the seventeen mills have gone out on strike, but very likely the employees will be brought to terms in the near future. The company still has rather large bank loans, but as operations were close to capacity recently, it is understood that the condition is not critical.

We believe the stock to have rather attractive speculative possibilities, but would prefer Tennessee Copper selling around 10. The latter company is in a strong financial condition, has favorable sulphuric acid contracts, and we look for it to do better.

U. S. REALTY

Earnings Increasing

Several times I have been on the point of asking you for a report on some company, but as I keep a file of the Magazine I have always been able to find what I wanted. I presume you have reported on United States Realty & Improvement but I haven't happened to notice it and would appreciate a few words in regard thereto. What other companies might be benefited by increased construction throughout the country?—G. G. A., Baltimore, Md.

United States Realty & Improvement for the year ended April 30, 1921, earned 15.39% on its stock as against 5.55% in 1920. Earnings this year are expected to be further increased by greater income from real estate investments due to long term leases and already made and effective May 1, 1921. This company controls the Geo. A. Fuller Company and in September of last year it was announced that the latter company had closed contracts amounting to over $14,000,000 since May 1st. Claims have been filed against New York City amounting to $1,500,000 in connection with the subway contract. It is believed that the company has a good chance to recover at least part of this money.

Balance sheets as of April 30, 1921, show good financial condition with working capital of $2,200,000. Capitalization consists of $11,930,000 5% bonds due July 1, 1924, and $16,163,800 stock, par value $100. The last dividend was paid February 1, 1915, but in view of the greatly improved position of the company there is good reason to believe that dividends will be shortly resumed. We regard the stock as an attractive speculation.

Other companies that should benefit by increasing construction throughout the country are American Radiator and National Lead.

HIGH YIELD BONDS

Safety Usually Depends on Earnings

How is it that bonds yielding as high as 8% are advised by supposedly reliable people as safe investments when many issues can not be bought to return more than 6%? Would appreciate a few words of explanation in regard to this.—M. F. J., Mt. Cory, Ohio.

Of course if you purchase a bond that yields 8% you are assuming a greater degree of risk than if you purchase a gilt-edge security which yields you 5½%. In other words, when you purchase a bond that returns a high yield you must use a great deal of discrimination, whereas if you purchase a gilt edge security you can feel pretty secure, no matter which one you buy. As a rule, the safety of a bond which yields 8% is dependent to a large extent on how earnings of the property on which the bond is a mortgage can be maintained. Whereas in the case of a gilt edge security the margin of safety is so great that as a rule earnings could be cut in half or even to one-third without affecting the status of the bond.

We would not advise putting a very large percentage of your principal into any bond issue which yields as high as 8%, but frequently bonds of this character are suitable for a business man to invest a certain portion of his funds.

CONSERVATIVE INVESTMENTS

In Bonds and Preferred Stocks

Will you kindly name about four good preferred stocks that you consider the best for the investment for a person putting all she has into them. Also four good bonds. If the preferred stocks can be retired please state the conditions. I do not care for short time bonds.—C. N. C., New York City.

In accordance with your request, we take pleasure in giving you below four bonds which we consider will answer your purpose:

Duquesne Light 6s of 1949, approximate price 101, yield 5.95%

Kingdom of Sweden 6s of 1939, approximate price 96, approximate yield 6.35%.

N. Y. Telephone 6s, 1941, price 103, yield about 5.75%.

Penna. R. R. general mortgage 4½s, 1965, price 87½, yield 5.35%.

The four preferred stocks we would recommend are given below:

American Can Co., 7% preferred, price 98, yield about 7%.

Baldwin Locomotive 7% preferred, price 106, yield about 6¾%.

International Harvester 7% preferred, price 106.

United Cigar Stores Co. 7% preferred, price 106.

Baldwin Locomotive preferred is redeemable as a whole at 125; United Cigar Stores Co. preferred is redeemable by the company at $140 per share. In the event of voluntary dissolution, this stock shall receive $140 per share; if involuntary liquidation $100 per share and all unpaid accrued dividends before any distribution is made for the common stock. The preferred stocks of the other three companies named have prior claims to assets and unpaid interest, before any payments can be made on the common. American Can preferred and International Harvester preferred are not callable.

OWENS BOTTLE

An Attractive Speculation

I have been looking for a low priced dividend paying stock that appears to have a good chance of advancing in price. Am considering Owens Bottle. What do you think of it?—H. K. F., Rockford, Ill.

Owens Bottle Co. for the nine months ended September 30, 1921, reported earnings equal to $1.42 a share on the common stock. This compares with $5.03 earned in the same period of 1920. The company is the largest manufacturer of bottles in the world and is also the manufacturer of the "Owens Automatic Bottle Making Machine" and the "Graham Automatic Bottle Making Machine." For the year ended December 31, 1920, the company earned $8 per share on the common stock and about $5 per share in 1919. The balance sheet of the company as of December 31, 1920, showed a strong financial condition with working capital of $9,304,000. Capitalization consists of $9,450,200 7% preferred stock, par $100, and $17,371,900 common, par $25. Dividends are now being paid on the common stock at the rate of $2 per share per annum. This company has shown a distinctly good earning power over a long period of years and at present prices around 28 we regard the common stock as having good possibilities.

AMERICAN SUMATRA

Dividends on Preferred

I have in mind the purchase of American Sumatra preferred stock at present prices of 53. What do you think of it? Will the dividend be maintained?—S. B. C., Washington, D. C.

It is provided in the indenture of American Sumatra Co. 7½% notes that the net working capital must be maintained at 175% of the notes outstanding in order for the company to pay any dividends. The notes outstanding total about $6,190,-000. This would require the company's working capital to be maintained at $10,-700,000. As of July 31, 1921, the working capital was $11,844,000. In the past six months losses in inventory have reduced its working capital to a figure where the bond provision is not satisfied, and for that reason the preferred dividend was recently omitted. There is only $1,963,-500 7% preferred outstanding, and we should say this preferred stock should ultimately work out all right, although dividends may have to be withheld for a while. In our opinion it would be advisable in purchasing to place your order somewhat under the market as it may have further reaction from present price of 56.

(Continued on page 636)

Building Your Future Income

Courtesy National City Co.

The Investor's Success Catechism

Q. I want to start investing. How shall I do it?

A. Start saving. Try it for six months. Then you will know (1) how much you can manage to save, and (2) how capable you are of mastering your own impulses to spend.

* * *

Q. Suppose I manage to save six or seven dollars a week. What can I do with that?

A. A lot more than you think. Wait till you have $50. Put that in the Savings Bank as a base. Then, add to that base, the amount you save each week. Suppose you save $6.25 a week. By the end of one month, you will have $25. By the end of six months you will have $150. Take that $150 (notice that you have not disturbed your "base") and invest it at the best income rate you can secure, without undue risk. You should be able to average close to 6 per cent. Keep on investing this $150 semi-annually, and also persistently reinvest both your principal and interest.

* * *

Q. What type of security should I select for these investments?

A. The securities you buy will vary. There will be times when only the highest grade bonds will be suitable. There will be other times when you can afford to buy industrial common stocks. Your opportunities in the latter class will permit you to increase your income return in some years. This will make up for the lower income return you will have to accept in other years.

* * *

Q. Should I let my investments "stand," once they are made?

A. By all means, do not! Much of your success will depend (1) on the care and thought you exercise in your original selections and (2) on the judgment you exercise in revising your holdings, from time to time, later on.

You don't need to lie awake nights and worry about your holdings. But you ought to go over them, thoughtfully, at least once a month; and, in bad times, more often. If in your own unprejudiced judgment, you decide you have made a bad investment at any time, switch out of it at once.

* * *

Q. Won't revising my list cost me some interest?

A. Not permanently. As time goes on, you will find offsets to momentary income losses.

* * *

Q. What will this plan lead to?

A. It depends upon how long you keep at it. The rewards of persistence are almost infinite.

If you follow up this plan for ten years, your holdings will be worth $4,000. If you keep at it for 20 years, they will be worth $11,000. If you start at the age of 21, you will have over $48,000 by the time you are 60, or enough to pay you $50 a week income for the rest of your days.

* * *

Q. Do you believe in this plan?

A. Thoroughly, definitely, unequivocally and without reservations. It is the ideal combination of common sense, conservatism and progressiveness.

What One Investor Is Doing

Taking Steps Toward Financial Independence

By "THIRTY-FIVE"

UPON leaving college, a very successful man gave me some financial advice which I have always remembered. He said:

"When you spend a dollar and I spend a dollar, it looks to be just the same dollar, but it is not! Leaving out of the question entirely the amount of money that you have and that I have, the fact remains that if you saved your dollar and invested it at 6% or 7% it would be two when you are thirty; four when you are forty and eight when you are fifty. So, you see, I can spend *eight dollars* at my time of life" (he was fifty then), "and still be spending just the same amount as when you spend *one dollar* at yours. Therefore, if you intend saving anything, the earlier you start the better it will be for you."

Shortly after this, the Panic of 1907 came along to end our "financial debauch" and stop construction work on the Castles in Spain we were building at the time.

From this panic I learned another fundamental of investing:

I had saved a few hundred dollars which I was advised to invest in a mining venture in South America. The advice came from some one whom I respected, and had reason to respect. I acted on this advice; and it wasn't long before I realized that, however honest the company may have been, the advice concerning its future was very bad.

Poor Policy

The experience taught me that it is a very poor policy to work hard and save money, without doing some studying against the day when you will want to invest your money,—that is, have it do the working and saving for you.

I then began the study of investing, to learn how to translate my labors into good, hard-working, honest dollars. I was determined to learn how to put dollars properly to work myself.

Strange as it may seem, the study proved to be a source of a great deal of enjoyment to me. Far from boring me, it proved a most fascinating study. Perhaps I was particularly suited to it, mentally.

But even if I had not been interested in the study, I think I should have gone on with it, if only for the "dividends" I knew it would pay! Study of this sort is a kind of investment "insurance"; and the premiums are hard work.

An Important Lesson Learned

One of the chief lessons I learned was the value of patience, more patience and still more patience! And my observations since then have proved the need of a more general understanding of the importance of this quality. How many people I have seen who would not wait the proper time and the proper opportunity before making a commitment—unwilling to forego a day's interest on their funds!

Also, I have learned to distinguish between "temporary" and "permanent" investments, and between the proper times for each sort. When money commands low wages (interest) I keep my surplus funds in savings banks, short term notes, mortgage certificates, or certificates issued by the sound companies that handle commercial paper, or even in the strong building and loan associations. I am particularly careful of my principal in such times as this, making sure that it will be available at short notice. When money becomes scarce, and interest rates are high, I consider it the time to switch from my "temporary" to my "permanent" investments.

"Quotas

When making my purchases, I confine myself to certain set quotas. Thus, I believe that the surest results are to be had from allotting 30% of my funds to mortgage bonds, 30% to convertible bonds, and 40% to stocks. This plan reminds me of an English system, which is quite generally practised and works—sometimes: It is to place no more than 10% of one's investment funds in speculative ventures. Then, if the speculations prove profitable, part of the money so used is retained for speculation and the other part is removed, to be kept only for investment purposes. If the speculations go wrong, no more speculating is attempted until the principal has again been built up.

Securities Held

The securities held by the writer at present, or in process of being bought, include the following:

Liberty 3rd 4¼s.
Liberty 2nd 4¼s.
U. K. G. B. & I. 5½s.
French Loan of 1920 8s.
Norfolk & Western conv. 6s.
Chgo., Mil. & St. Paul conv. 4½s.
C. & O. 4½s.
Atlantic Coast L. 4s, 1934.
N. Y. Central conv. 6s.
St. L. & San Francisco adj. 6s.
C. R. I. & P. refd. 4s.
Detroit Edison conv. 7s.
Am. Tel. & Tel. conv. 6s.
Am. Tel. & Tel. conv. 4½s.
Buffalo Gen'l. Electric conv. 6s.
Am. Light & Traction conv. 7s.
B. F. Goodrich conv. 7s.
Ohio Cities Gas conv. 7s.
Chile Copper conv. 6s.

STOCKS

Southern Pacific.
L. & N.
Atchison.
Union Pacific.
Alabama Great Southern pfd.
Cosden & Co.
B. F. Goodrich.

It will be noted that a great majority of my bond holdings are convertible bonds. I consider a good convertible bond the best medium for spec-vestment that there is. While you hold it, you keep the whip-hand over creditors; and you can switch from it, if you like, and become a partner in the enterprise.

This list suits my individual needs, but of course should not be used as a standard by anyone dependent upon his income for his maintenance. The list gives a present market value of about $20,000; and providing the writer lives on his other income, this will have grown to $40,000 when he is forty-five.

Of course, the list will have to be revised, from time to time, according to conditions.

In Closing

In closing, the writer would say that he considers thrift coupled with study of finance, secondary in importance only to the pursuit of one's chosen calling.

What Books Shall I Read?

Three Selections for Three Types

By THE LIBRARIAN

THE question, "What Shall I Read?" cannot be answered unless further information concerning the questioner is forthcoming. Applied to investors, for instance, it is necessary to first determine how much the investor already knows.

Assuming that an investor had just started in, this librarian would repeat the recommendation made in a previous issue: Read Montgomery Rollins' famous book, "Money and Investments." This is the investor's p r i m e r and, withal, one of the most practical and understandable introductions to finance that we know of.

If the investor already has a good grasp of the fundamentals, and wants slightly more advanced reading, let him take up "Practical Points on Stock Trading," written by Scribner Browne. Here is a book that makes no bones about telling the truth; that discusses things like "Puts and Call" in language and with illustrations that make them as plain as A B C. The book has a practical and strong appeal to the solid investor, who is honestly determined to know what he is doing.

For the more advanced investor? Well, why not "A Century of Prices," written for former Senator Theodore E. Burton, who is now in the House, and G. C. Selden, formerly managing editor of THE MAGAZINE OF WALL STREET. The book contains half a dozen graphs which, as a record of market-movements over a long period of years will not, probably, be found elsewhere. It is a fascinating study of the inexorable price-swings, short and long, which characterize the business calendar. There are, of course, hundreds of other books, equally well adapted to individual cases. But they cannot be recommended, very well, until those individual cases are known.

THREE GOOD BOOKS*

	Prepaid
Money and Investments .... By Montgomery Rollins.	$3.10
Practical Points on Stock Trading.. By Scribner Browne.	2.10
A Century of Prices.................. By Hon. Theodore Burton and G. C. Selden.	2.10

*Obtainable direct from the publishers or through The Magazine of Wall Street.

Points for Income Builders

What the Requirements Are for Success in Investing

THIS department, being put here for the purpose of making Wall Street plain, clear and understandable to all, it should not be amiss to discuss, briefly, the different forms of investing money that there are; to describe the qualifications necessary for success along these lines; and thus, perhaps, to "steer" the newcomers to the world of finance into safe channels.

Active Trading

Active trading—"speculating in securities"—is the least understood process in the world.

Most people seem to consider it a sort of game, in which luck is predominant and where personal qualifications have very little significance.

As a matter of fact, active trading in securities is a science, to be studied as a science, and to be held in the respect that all other sciences command.

The individual who trades actively in the securities market must have three qualifications:

(1) He must have the characteristics—or the temperament—of the successful trader. Those characteristics, in the main, are:

Patience,
Courage,
Shrewdness.

The importance of these characteristics cannot be overestimated. The impatient man, having purchased a promising security, will never profit from his purchase if he insists upon immediate results at all times. Some of the largest market profits made, are made after the general public has been "tired" out of its holdings of a certain stock.

A case in point was that of a certain well-known copper stock. The company represented by this stock made a very rich "strike." The news of the "strike" was freely circulated, against the wishes of the insiders. Outsiders, naturally, bought heavily of the issue. Result: The news was not allowed, by various methods, to put the stock up; for no less than two months the issue remained at close to one price. As time wore on, more and more of the "outsiders" grew discouraged—impatient—and sold their shares. When, and not before, the people who wanted these shares got control of them, the stock shot up from below 20 to very close to 70.

The Rewards of Courage

Courage is richly rewarded, just as timidity is penalized in the securities market. It took a lot of courage to buy stocks just after the war in Europe started; but the investors who marshaled up enough courage to do that buying made enormous profits. Those who lost faith in the country, in its industries—they must have even lost faith in its Government—and tossed their holdings overboard, were just as richly penalized for their timidity.

"Shrewdness" ought to be talked more about. It is the third essential characteristic in Wall Street. "Shrewdness" is nothing imaginary, intangible, illusory; it is a plain, matter-of-fact characteristic—so plain and matter-of-fact that it almost has dimensions. Furthermore, it is a qualification that one can develop in himself.

Shrewdness is the ability to analyze your "hunches," to tear your natural impulses into shreds, and examine each shred for the slightest vestige of the impracticable or the visionary. It is the ability to separate your brains from your emotions. It is the capacity for stepping outside of yourself, looking yourself over as you would look over any fellow that came to you and said he could "double the profits of your business," weighing every argument that self puts forward, impersonally, cold-bloodedly, methodically.

The News

(2) The active trader must be in intimate and constant touch with the market and with the news affecting it. To the fellow whose whole fortune is represented by a corner store, an earthquake 3,000 miles away need have no fears. It won't hurt his trade any. But to the man who is jumping in and out of U. S. Steel or General Motors, or any one of the hundred other nationally held securities, such a piece of news may be his breaking or his making, depending upon how soon he hears of it.

The active trader can't trust the securities market out of his sight. And the sooner those who contemplate such trading realize this fact, the better it will be for them.

(3) The active trader must have ample resources. The man who comes to Wall Street with $754.30, who establishes himself in some imposing board room and starts trading in 50- or 100-share lots, is more or less of an ass. (We might just as well use harsh words now; it may keep a lot of people from attempting things that they are not equipped to accomplish.)

How much should the active trader have? Well, naturally, that depends upon what stocks he's going to trade in, what size lots he's going to deal in, and so forth. But the requirements can be generalized.

If you intend to trade in and out at least once or twice a week, and in 10-share lots, you should have not less than $2,000 cash, free, clear, unencumbered and stringless, if you intend to hold several commitments at a time. You will need that much over and above the probable total cost of your first commitment, because that commitment may go wrong, or you may want to add to it, or for any one of a number of other reasons.

Importance of a Surplus

Furthermore, this $2,000 should not and must not represent your only means, or anything like your only means. You should have ample other sources of income, and you should have ample additional principal safely invested and not to be touched. Active traders, because they *may* reap big harvests, have to risk taking large losses. There's no use hoping that some beneficent Providence will protect the individual You. Wall Street is no respecter of persons.

(Note—Other forms of investing surplus funds and the requirements for success will appear in this department in later issues.)

How Much Will You Be Worth?

The following table shows what savings of from $5 to $60 per month will amount to at the end of various periods of time, if invested at 6%, if interest compounded semi-annually, and if both principal and interest be persistently re-invested at the same average rate.

Suppose you are saving and investing at 6%, the sum of $50 per month (about $12.50 a week) and that you want to know what you will have 20 years from now. Find the figure 20 in the year column and $50 in the savings line. Where the two converge, the amount of your ultimate principal is shown.

Thus, if you save and invest only $50 a month for 20 years—or during the time when money-earning is easy—you will be worth over $22,000 at the end of the period.

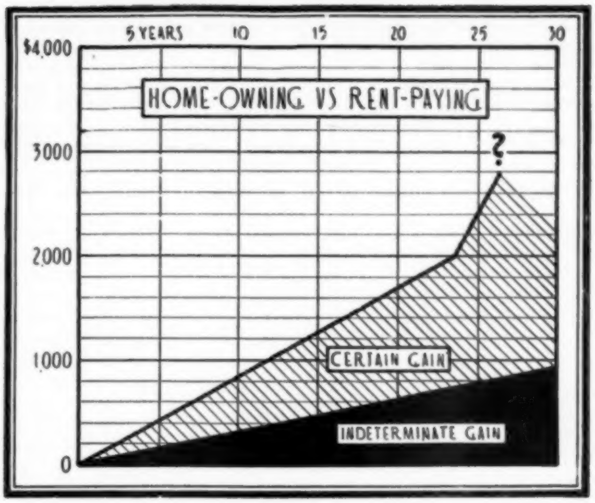
	Monthly Savings				
Year	$5	$15	$30	$50	$60
5	$343	$1,031	$2,057	$3,438	$4,114
10	806	2,418	4,836	8,061	9,673
11	916	2,748	5,496	9,160	10,992
12	1,032	3,098	6,196	10,327	12,393
13	1,156	3,469	6,939	11,566	13,879
14	1,287	3,863	7,726	12,879	15,452
15	1,427	4,281	8,563	14,272	17,127
20	2,262	6,786	13,572	22,620	27,144
25	3,383	10,161	20,323	33,239	40,646
30	4,891	14,674	29,349	48,915	58,698
35	6,917	20,753	41,506	69,177	83,013
40	9,640	28,922	57,844	96.408	115,689

It's Less Expensive to Own Your Home!

An Opinion Based on Dollars and Cents

By ROBERT SAUNDERS DOWST

MY opinion that it is more profitable to own a home than to pay rent rests on a basis of figures, of dollars and cents—yet, paradoxically enough, the chief incentive to home-ownership always has been and always will be the intangible values which a home of one's own represents and largely creates. There is no dispute as to that fact; the heat of controversy centers about the question whether it is *profitable,* in terms merely of money saved, to own rather than to rent, if the intangibles referred to above be not figured on the credit side of the ledger, but instead be completely ignored.)



KEY

O: Rent-payer's outgo of $780 per year, basis of comparison.

Certain Gain: Home-owner's certain gain of nearly $900 in 30 years from straight saving of $15 monthly over rent.

Indeterminate Gain: Home-owner's indeterminate gain, representing what, of his depreciation reserve of $165 per year, equivalent to cost of property, or $5,500, in 33 1/3 years, he does not actually have to spend in repairs to keep the property worth $5,500—a calculation into which any increasing value of the land as such will enter.

I myself am now paying rent, but up to a few months ago, when I made new business connections and moved half across the continent, I lived in my own home. And this circumstance indicates another point: Unless a man is permanently settled in a community, so far as human foresight can tell, it may be unwise for him to take on—possibly—unmarketable real estate. Or, if his work is of such a nature that it is difficult for him to get back and forth from city to suburbs without too much physical effort it may be unwise. However, assuming that the individual is reasonably certain he will not have to move, and that he is in such a business that his hours permit easy commuting, then the question arises: Which is more profitable, in terms of dollars and cents, to own or to pay rent? And as actual cases are more illuminating than mere assumptions, I will state my own and develop the figures.

My Own Experience

Back in 1916 I rented a five-room apartment, new, completely modern, in a good neighborhood of a mid-Western city, for $45 a month. At the time the town was somewhat overbuilt; hence the low rent. War conditions speedily altered things; in 1917 my rent was $47.50, in 1918 it was $55, in 1919 it was $75 a month. I learned that a further increase was coming, to $85, in 1920, and therefore began looking about for a house. I found a five-room frame bungalow, practically new, in a desirable neighborhood on the outskirts of the city, and bought it for $5,000.

So much for the story; now for the comparison. In the first place, it is impossible to justly compare a renting against an owning proposition unless the two dwellings, in point of desirability and living accommodations, are similar, so far as possible. My rented and my purchased home were similar. Both were five rooms, both were in thoroughly good locations, both were new and modern. If, in the case of the house, I had to run my own heating plant, in the case of the apartment I had to put up with the fact that half the time the janitor didn't. And so forth.

As for the figures: My apartment rented for $45 when I first moved in; when I moved out it rented for $75 and was going to $85. Probably the more or less stable rental value of such an apartment in that particular city under normal conditions is about $65 a month, $780 a year. The value of my house was $5,000 to $5,500; I sold it for $5,000, in a greatly depressed market, several months ago. Let it be assumed that the higher figures—$5,500—represent the cost of a house in that particular city equal in size, quality, and livability, to a $65 apartment; if the house is overvalued, the overvaluation itself will work against home-ownership in a cost-comparison such as I shall now develop.

For purposes of simplicity let it also be assumed that there are two individuals, one who rents the apartment, and one who buys the house, each of whom has $5,500 invested in securities yielding 6%. The man who rents does not disturb his securities, merely clips his coupon and cashes his dividend checks to the amount of $330 per year, and digs into other income for another $450 to make up his annual rent charge of $780 a year. The one who buys the house sells his securities to raise the $5,500 purchase-money, and his case thereafter is not quite so simple. Let us see.

(1) He must charge his house-investment yearly $330 lost income.

(2) He must also charge yearly about $125 taxes paid.

(3) He must charge yearly or pay for repairs, painting, etc., some 3% of cost, or $165 depreciation.

(4) He must pay for insurance some $35 premiums.

(5) He must pay yearly for heating (since the apartment with which comparison is being made is heated by the landlord) some $110 coal, a total of $765.

Thus it appears that the tenant of the $65 apartment is paying $780 a year for his living accommodations against the house-owner's $765. But this is not the whole of the story.

An Important Point

One of the charges against the home investment (that for depreciation or repairs) is really an item that ultimately belongs on the credit side of the ledger. Thus: if the owner actually expends the 3% of $5,500 valuation yearly ($165) in painting, repairs, etc., his property will always—up to any reasonable term of years—be worth as property, apart from any running down of the neighborhood or other extrinsic factors, about $5,500. And if he does not spend the money yearly for repairs, but instead sets the amount aside as a depreciation reserve, in something less than thirty years—in view of interest accumulation—the reserve will equal the $5,500 originally paid for the property, which the owner will also have. Of course the *house,* without painting or repairs for such a time, would be in sad condition, barely habitable, if habitable at all, but the *lot,* the *land* as such, disregarding the house, would be worth what it originally was, and probably more. This is a point that I have never seen developed in discussions of these questions.

To put it in figures (for a term of some thirty years):

The apartment tenant's charges are $780 a year.
The owner's charges are $765 a year.
Difference in favor of ownership $15 a year.
In thirty years $450 *plus* interest accumulations nearly doubling the amount.

At the end of thirty years the tenant will have his securities worth $5,500.

At the end of thirty years the owner, *if he expends his depreciation reserve* for repairs, will have property worth $5,500 *and* nearly $900 in cash.

At the end of thirty years the owner, *if he merely funds his depreciation reserve and does not spend it,* will have (1) the nearly $900 in cash, (2) his cash depreciation reserve of $5,500, a nearly worthless house, *and* a lot worth what it originally was, or more, say $1,000 at least.

Mathematical Truth

I perfectly appreciate that the extremes of (1) making perfect replacements, or (2) making no repairs at all, are never realized in fact. However, merely because they are extremes, they should be developed in the figures, because actual practice *(Continued on page 655.)*

How Shall I Re-Invest My Income?

Why Most People Die Dependent—Building Income from Income — Perpetual Motion in Investing

EDITOR'S NOTE:—The following article is the sixth, and last, of a series published for the benefit of those having idle funds at hand which they wish to invest to the best possible advantage.

Previous articles, appearing in successive issues of the Magazine, covered the following subjects:

(1) What Are Today's Bargains?
(2) Tomorrow's Dividend Payers
(3) Switching for Profit
(4) What the Business Man Should Buy
(5) For Your Speculative Fund—

The present article is published in our Building Your Future Income Department because of its especial significance to investors in comparatively small amounts.

FOR the average investor the problem of the reinvestment of income will always remain one of the most difficult in connection with investment. This is due to the fact that the average investor has very small amounts available for reinvestment. It is an exceedingly difficult matter even in these days of "baby" bonds and par values of $10 and $25 to invest so small amount in income as the average investor generally is able to obtain from his moderate investments.

The wealthy investor, of course, is under no such limitations. An individual with an investable income of, say, $1,000 a year and upward can at least buy bonds in denominations of $1,000 or stocks in ten share lots. He is in an advantageous position with regard to the market.

But how about the individual with an income of, say, $100 a year from investments—such income being received in several installments of $50 each? Or how about the investor who receives a dividend check of $25 every three months from the company in which he owns a few shares of stock? How is he to invest such a small amount?

Shall he wait until he has a hundred dollars saved up and then invest?

Or shall he invest his tiny income at once? And if so—how?

The Time Element

The building of income from income is the way in which comfortable competences are built up. One should regard the revestment of income as a sort of "pyramiding" of capital. It is, in fact, a "pyramid" of capital.

One buys bonds or stocks which return an income. That income is re-invested in other bonds and stocks and these securities, in turn, give an income which again is reinvested. It is like a snowball rolling down a hill—starting very small, at first, and then gaining size until it finally, as it reaches the bottom of the hill, gains proportions many times the original size. This is about the way the re-investment of income works out.

It is essential, in order to re-invest properly, to take the time element into consideration. To permit the income from securities to lie idle for a period means a direct loss not only of time but of money. Put your funds to work at once no matter how small they are. A ten dollar bill invested at 4% will bring in 40 cents a year. This, of course, is a ridiculously small amount. Nevertheless the accretion of many such forty cent pieces will find result in ten and twenty dollar bills. No amount is too small to invest, but every delay in investing such an amount is too great a delay.

Some investors have the habit of either spending the income which they receive from their investments for unnecessary objects or keep their money at home or in their pockets or in other ways delay the profitable use of these funds. This is all wrong. Certainly the individual with an eye to the future, who is desirous of building up a competence at the earliest possible moment, should never permit himself the luxury of postponing his investments.

Time is a great factor in investment. Therefore, if you would be an efficient investor put your funds to work without delay in the most profitable way in which such funds can be put to work.

A Few Suggestions

Having decided that no amount is too small to be invested, it is the next task of the investor to find out how such an amount can be invested. Let us assume that the investor holds 10 shares of Union Pacific fully paid for and returning an income of $100 a year (Union Pacific pays $10 a year per share in dividends). Every three months the investor receives a check for $25. This amount should be invested with the least possible delay. For the sake of convenience, it will be assumed that the investor has made it an unyielding rule never to buy securities on margin or to borrow via the partial-payment plan or any other device used in investment. The investor proceeds on the theory that he will buy only for cash. He now has $25 to invest. Most bonds including Liberties are issued in $1,000, $500, $100 and $50 denominations. Each of these figures is in excess of the amount at the disposal of the investor. Therefore, he is precluded from investment in bonds. He now has to turn his attention to the share market. There are few worthwhile dividend-paying stocks selling lower than $25 a share, yet there are some.

It is to these securities that the investor should turn as offering the best possible medium for investment, under the circumstances. It will be understood, of course, that income from securities should always be devoted toward the purchase of other income-bearing securities, inasmuch as it is the purpose of the investor to compound his interest. Were he to buy non-dividend paying issues, he at once cuts off his added source of income, which would at least partially nullify his efforts toward financial independence.

Of course, the purchase of shares involves at least a certain degree of speculation but considering that the investor is using not his principal but the income from his principal he is entitled to take this small speculative risk. He should, of course, be careful to purchase only sound securities.

We will say that there is a certain stock selling at $25 a share and paying $2 in dividends. The investor buys one share of this stock with his $25. He now has an income of $100 a year from his original investment plus $2 a year from his new investment, making a total income of $102 a year. When the next three months comes around he has another $25 to invest plus the fifty cent dividend which he receives from his new investment. This tiny amount, of course, referring to the fifty-cent piece, cannot be invested in securities but it should be put in the savings bank until a number of other fifty cent pieces are there to join it, the total of which eventually would be sufficient to buy another share of stock. Within a year the investor will have received income not only from his original investment but from the few shares of stock which he has bought with his income. A sort of perpetual motion in investing is thus built up. It is an excellent habit and once the investor develops this habit, the rest is easy. The investment of income then becomes a mechanical matter. It is surprising what results can be obtained from even these modest efforts.

An Average Case

The above is not at all out of the ordinary. There are tens of thousands of small investors in this country who receive small amounts regularly from their investments and who are puzzled by what to do with these amounts. The only answer is that no amount is too small to invest.

Statistics show that an appalling number of men and women reach the age of fifty without any means of support other than their daily labors. But as one gets older, it become less easy to hold on to jobs. At such a time, one should have at least a small capital to fall back on with which to enter business, open a store or some such enterprise. The man of fifty without such a capital and entirely dependent on the favor of his "boss" or his children is truly not to be envied.

It may not sound like a great deal to invest ten and twenty dollar bills but when you understand that it may save you from

(Continued on page 647.)

Public Utilities

Greater Activity in Public Utility Stocks

Renewed Interest Due to Improvement in Earnings—Great Discrimination Necessary in Purchasing These Issues

TO the careful student of public utility economics, it has not been a surprise to witness a gradual return of these companies to a more liberal earning power accompanied by an increasing interest on the part of the public in their securities, with a generous advance in price levels. The return to a more normal scale of operating costs has greatly helped the public utility companies.

In view of the increasing public interest, it is necessary to early emphasize the great care which is necessary in making a selection among public utility issues for purposes of either investment or speculation.

Roughly speaking there appear to be three groups of public utility issues. In the first group are included the stocks and bonds of those companies which are conservatively managed and which securities have not become endangered by receiverships, during the past several years.

The second group of issues may be entirely sound as far as actual earnings and financial position of the companies issuing them are concerned, and yet be so manifestly subject to manipulation as to make commitments in them exceedingly dangerous.

The third group are those which at one time sold at considerably higher levels yet are unlikely to ever be of real value again owing to the fact that bonds of the companies issuing them are in default and the bondholders have a prior claim to the property which in many cases will preclude the possibility of the stockholders receiving anything of value and is even likely to cause a complete wiping out of these issues when reorganization takes place.

We will take up the listed issues on the New York Stock Exchange and briefly mention their salient characteristics.

VALUATIONS RECOMMENDED AND COMPANIES' FIGURES

	Net Valuation Recommended by Committee on Valuation	Cap. Stocks, Bonds, etc., Outstanding (exclud. Co. Holdings)	Companies' Book Value of Property	Dif'ce Between Book Value and Value Fixed by Commission
Brooklyn Rapid Transit System—				
Surface lines (inc. Brooklyn City Co.)	$58,511,759	....	....	....
Elevated and subway lines...........	96,096,918	....	....	....
Total B. R. T. System.............	$154,608,677	$232,175,074	$247,991,278	$93,382,601
Interborough Rapid Transit System—				
I. R. T. Co.—Contracts 1, 2 and 3....	$135,669,555	....	....	....
I. R. T. Co.—Elevated certificates....	38,551,501	....	....	....
Total I. R. T. System.............	$174,221,056	$235,250,400	$206,045,378	$31,824,322
Manhattan Ry. Co. (orig. property).....	$57,374,205	$105,199,439	$113,001,414	$55,627,209
N. Y. Railways System (inc. 8th, 9th and N. Y. & Harlem R. R. Co.)......	29,871,785	95,007,180	119,083,606	89,211,821
Third Ave. Railway System............	33,967,430	68,590,961	74,702,231	40,734,801
Second Ave. Railroad Co..............	4,798,217	10,722,000	8,308,443	3,510,126
Staten Island Companies	4,215,713	3,855,516	5,702,670	1,486,957
Queens Borough Companies	6,125,764	12,974,786	15,857,758	9,731,994
Miscellaneous Companies	497,207	650,000	758,061	260,854
Grand total, all companies..........	$465,680,154	$765,094,365	$791,450,839	$325,770,685

The amount that the City of New York has invested in the subways is (Contracts 1, 2, 3 and 4) $293,493,239. Adding this to the recommended valuation of company property ($465,680,154) would give a total valuation of city and company property of $759,173,393.

American Telephone & Telegraph

The stock and bonds of the American Telephone & Telegraph Company are to be regarded most highly. It is the writer's belief that American Tel. & Tel. stock, paying dividends of $9 per share per annum and currently quoted in the neighborhood of 118, is a safe investment. The company is so excellently managed and enjoys such a high reputation that there is but little doubt as to the future of this issue.

Brooklyn Rapid Transit

(See New York Traction Securities)

Columbia Gas & Electric

The Columbia Gas & Electric Company's securities are to be given a good rating as far as the current earnings of the company are concerned. There is one matter, however, about which would cause the writer to hesitate to make an investment in the company's stock, for the reason that a large portion of the company's property is devoted to the prduction of natural gas. It is the writer's understanding that there is nothing being set aside as a reserve fund to write off the gradual depletion in this portion of the company's property as far as the stock is concerned. Its electric properties are essentially sound.

Consolidated Gas

Consolidated Gas Stock and notes are to be highly regarded. It must not be forgotten that the electric subsidiaries of the Consolidated Gas Company are earning greatly in excess of the dividends they pay to the Consolidated Gas Company and that the current dividend on Consolidated Gas stock is quite safe through the protection afforded by its subsidiaries' earnings.

Detroit Edison

The securities of the Detroit Edison Company are fairly attractive, although the company has a relatively high funded debt and is not so conservative in its operations as, for instance, the American Telephone & Telegraph Company whose stock is selling on a comparative basis.

The recent market action has apparently been caused by manipulation so that a new stock issue would be successful.

Interborough Consolidated

(See New York Traction Securities)

Laclede Gas

Earnings of this company are improving and it is not unlikely that dividends will be resumed within the coming year. The stock has had a considerable rise in anticipation of this event.

Market Street Railway

The securities of the Market Street Railway Company come within the second group mentioned in the foreword. It is difficult to make an exact statement as to conditions which have caused the erratic behavior of these securities in the market, but the writer feels quite certain that manipulation has been the cause of the recent rise in these issues. The possible contingency of the sale of this property to the City of San Francisco and the liquidating of these securities of course, adds a speculative feature to the stocks. The relative amount of stocks outstanding are so small, as to afford an easy means of manipulation, and, while these may move considerably higher, a purchaser should "watch his step" for as soon as the pool working in this stock starts

(Continued on page 627.)

Third Avenue Railway

Valuation a Stumbling Block to Third Avenue

Transit Commission Offers Small Comfort to Stockholders

By **PALMER CLINGMAN**

IN choosing a street railway system for analysis the writer is confronted with a situation which is most involved and complicated. There are so many viewpoints to be considered and great care is necessary to properly weigh the various elements entering into a proper understanding of a street railway property and as to the trend of its future operations.

As a foremost consideration, it may be well to question as to whether or not the street railway business, as such, is likely to continue. The last several years have witnessed the closing of so many lines, and while this has been generally blamed on the high cost of operation as the result of the war, yet there are other features which cannot be blamed on the war-scale of operating costs.

Automobile Competition

A most direct cause, excluding any consideration of high operating expenses, has been automobile competition. In other instances, rapid transit systems closely paralleling the lines of the trolleys have reduced travel by the latter means to a negligible factor as to be so unprofitable that cessation in operation was the only alternative. In still other cases, without either automobile or rapid transit competition, trolley lines have been closed down because of the congestion of street traffic making it impossible to hold to any schedule, so that walking was by far the quickest way to reach one's destination.

The instance of the Third Avenue Railway System is typical of a trolley system operating in a large metropolis. Its lines in some instances traverse the most lucrative section of traffic. In others, are in a closely built-up section, where trolley transportation is unpopular owing to the delays in car movement and in still other parts of the city are where the regions are but sparsely built-up and where trolley transportation is the only means—barring the use of automobiles—of travel, and where long hauls are required.

The matter of obsolescence of equipment is also one which must be considered, for who has not witnessed the hopelessly antiquated vehicles which are so suggestive of the "Toonerville Trolley" in use on many lines in this country?

Condition of Equipment

In the case of the Third Avenue System, the tendency to continue in use cars of ancient vintage is not as pronounced as on the average street railway company. In fact, the equipment of the company would rate very high in modernity.

We will take up the points we have raised in regard to the likelihood of this particular company remaining in business, as indicated by its local characteristics. The territory which the Third Avenue Railway Company serves is largely in the Borough of Bronx, New York City, and in Westchester County, immediately to the north, although the property from which it derives its name, of that of the Third Avenue Railway Company, is on one of the main thoroughfares in the Borough of Manhattan (New York City proper), on the East Side, and the company's lines also traverse the theatrical and shopping districts through 42nd Street and north on Broadway, and through 59th Street. In addition to these routes which are lucrative, relatively speaking, the Third Avenue System also operates, in the Borough of Manhattan, belt lines along the various river fronts which are not well paying territories.

In the Borough of Bronx, the system is quite extensive as it provides the only trolley service in that Borough. A similar situation holds in Westchester County.

The opening up of new rapid transit lines in the Borough of Bronx has for the time being had a peculiar effect on the Third Avenue Railway Company in that it has felt the competition in the dual service provided on certain streets in that Borough. In the case of the Jerome Avenue Line, the company suspended its service owing to the Interborough Lines operating on an elevated structure over this avenue.

The rapid transit services recently provided for the Borough of Bronx, it is believed, will only have a temporary depressing effect upon the revenue of the trolley lines in that Borough, for new traffic centres are being established which will ultimately contribute to the local trolley traffic. The population is rapidly growing as indicated by the recent Federal census, which shows that the population of the Bronx has doubled within the last ten years, and further, by the large number of buildings now being erected, there having been during the last year provision made for 14,000 additional families and an indication that 20,000 homes will be provided during the current year. Westchester County is also showing a great increase in population.

As these new traffic centres become established, a great increase in local traffic via the trolley systems invariably follows, so that the outlook for the Third Avenue Company, as regards future business, seems fairly well assured.

Political Situation

The political situation in New York is one which has a great bearing on the affairs of public utilities within the City. At the present time the affairs of all of the transportation companies are in the hands, so far as rates are concerned, of the Transit Commission appointed by the present Republican Governor. This Commission proposes to form a unified system of transportation companies in New York City, and has made a valuation of all of the properties to serve as a basis for the issuance of securities under the unified plan.

In the case of the Third Avenue Company, the valuation prepared by the Transit Commission allows that company $33,964,430 against a funded debt of $56,077,162 and a total capitalization of

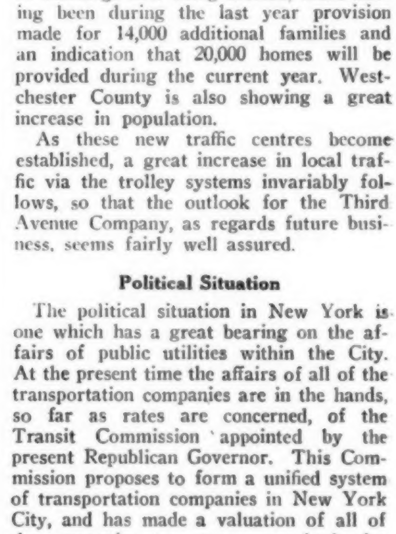
THIRD AVENUE RAILWAY SYSTEM

CONSTITUENT COMPANIES

	Location	Mileage
Third Avenue Railway Co. and Kingsbridge Railway Co	Manhattan	34.433
The Forty-Second Street, Manhattanville & St. Nicholas Avenue Railway Company	Manhattan	18.673
The Dry Dock, East Broadway & Battery R. R. Co	Manhattan	13.001
Belt Line Corp.*	Manhattan	6.482
Mid-Crosstown Railway Co., Inc.*	Manhattan	4.731
Union Railway Co. of New York City & Bronx Traction Co.**	Bronx	125.136
The Southern Boulevard R. R. Co.	Bronx	9.357
New York City-Interborough Railway Co	Manhattan and Bronx	37.344
The Yonkers Railroad Co	Westchester	29.275
The Westchester Electric Railroad Co	Westchester	42.758
The New York, Westchester & Connecticut Traction Co	Westchester	4.929
Pelham Park & City Island Ry. Co.*	Bronx	3.283
Hastings Ry. Co., Inc	Westchester	1.254
	Total mileage	330.656

*The operation of these lines have been discontinued.

**The Jerome Avenue Line of this company has been discontinued.



$72,667,162. The estimate prepared by the Transit Commission is in great variance with a former valuation made in 1918 by an independent appraisal prepared by E. J. Conette, president of the United Gas & Electric Engineering Corporation, and submitted in testimony before the Public Service Commission then in office in New York City. At that time the valuation amounted to $56,364,852.

It seems scarcely conceivable that such a large variation should exist between two estimates, and it is possible, in view of the standing of Mr. Conette, that the Third Avenue Company may be able to put up a good fight for a greater allowance. Based on the present valuation, no equity is allowed the adjustment income 5 per cent bonds of which there are $22,536,000 worth outstanding. Quite recently it seemed that interest payments on these bonds would be resumed and there are 22½ per cent in arrears. The more favorable showing in operating results which the company recently made caused a considerable increase in the market value of the adjustment income 5's and also the company's stock, but the publication of the Transit Commission valuation had a depressing effect on these securities each of them losing a considerable portion of their gain.

Conclusion

There is not much doubt in the writer's mind that the present capitalization of many of the New York traction systems is top-heavy, and that the Transit Commission is more probably correct in its estimate of the real worth of these companies properties than are the figures which are set up in their books. The great discrepancy between the figures in the case of the Third Avenue and Transit Commission's valuation was considerably of a surprise to the writer in view of the fact that this company was supposed to have largely scaled down its capitalization at the time of its reorganization.

If the Transit Commission is disposed to be lenient with the traction companies in not making them spend too much of their income on improvements and increased service, there is considerable prospect that the Third Avenue Company will be enabled to support its present capitalization, for the matter of accepting the Transit Commission's valuation is entirely optional with the Third Avenue Company. Should, however, the Transit Commission be disposed to command a greatly increased service so that net profits would be limited to a capitalization based on the Transit Commission's valuation, the position of the adjustment 5's and the stock is insecure.

It is proposed to eventually unify all of the traction lines into one or more large systems depending on their character of service, and to use the valuations as the basis for the issuing of new securities. It is yet too soon to hazard an opinion as to when this is likely to be done. In the meantime, we would be inclined to leave the speculative issues of the Third Avenue Company entirely alone, although we would be apt to accord the first mortgage issues of the company a good rating in so far as they are protected by actual property valuation and might be thus considered as being assured of a fair return in any eventuality.

GREATER ACTIVITY IN PUBLIC UTILITY STOCKS

(Continued from page 625)

to distribute its holdings a decline in prices will be inevitable.

Montana Power

The Montana Power Company is one of the soundest hydro-electric properties in the United States. It is, however, quite largely dependent on the business prosperity of the mining industry and does not possess the diversity of load which is to be found in some of the other hydro-electric properties. In spite of this, earnings are constantly increasing, and the securities of the company are to be well regarded. Montana Power 5s, due 1943, are a sound investment.

New York Traction Securities

A peculiar situation has arisen in the New York traction companies as a result of the recently appointed Transit Commission. The traction companies were all greatly affected by rising costs during and shortly after the war, with the result that every company but the Interborough Rapid Transit Company was thrown into the hands of a receiver. In many cases the underlying bonds defaulted so that the present equity of the stockholders of Interborough Consolidated and Brooklyn Rapid Transit is extremely doubtful and depending almost entirely on how the stockholders are able to make peace with the bondholders. Quite recently all of the traction companies have been showing better earnings and considerable hope for better things in the future was awakened in the mind of the investing public. Apparently, however, this last week witnessed a "knockout" blow as far as the junior securities of the traction companies are concerned, for the Transit Commission has published a valuation of these properties which in all cases is considerably below their capitalization and book value.

Interborough Consolidated

In the case of the Interborough Consolidated Company, a holding corporation in receivership, it appears that there is little equity above the par value of the underlying securities which are outstanding. The Interborough Rapid Transit Company, a subsidiary, is fairly well protected as far as its bonds and notes are concerned, but the position of its stock is questionable. It will be recalled that this stock is deposited as collateral for the issue of bonds known as the Interborough-Metropolitan 4½s, and were it not for the Transit Commission's valuation great hopes had been held out for the eventual resumption of dividend payments on the Interborough Rapid Transit stock thereby permitting in turn resumption of interest payments on Interborough-Metropolitan bonds.

It seems that the acceptance by the traction companies of the Transit Commission's valuation is entirely voluntary on the part of the traction companies, yet the Transit Commission possesses the power to force the traction companies to provide a service which will limit their return in net earnings on a capitalization to correspond to the allowed valuation, so that the position of the traction companies is none too pleasant.

Brooklyn Rapid Transit

The Brooklyn Rapid Transit Company has been similarly affected as the Interborough Consolidated Corporation. The B. R. T. Company's earnings have been also showing improvement recently so that funds have been accumulating sufficiently to meet the interest charges on the B. R. T. 7 per cent notes due in 1921, in default as to both principal and interest, and it was expected that these notes would shortly receive an interest payment and that an endeavor would be made to extend them. In view of this contingency, the market for them has recently been strengthened and they are now selling in the neighborhood of 66, which seems to be a fairly high figure for an issue about which there is so much uncertainty.

The adjoining table indicates the drastic manner in which the Transit Commission has reduced the valuation of the several New York traction companies.

Pacific Gas & Electric

The stocks and bonds of the Pacific Gas & Electric Company enjoy a high rating and it is not unlikely that the dividend on the common stock will be increased as soon as a reserve fund, ordered by the California Public Utilities Commission, requiring a million dollars annually to be set aside until 1922, is no longer enforced. This amount will then accrue to the stockholders.

Peoples Gas of Chicago

The resumption of dividends by the Peoples Gas Corporation of Chicago is an indication of its improved earning power. The stock, currently quoted around 76½, fairly well represents a current market appraisal for this stock.

Philadelphia Company

The issues of the Philadelphia Company have held remarkably steady during the last several years. The properties of this company, located in the vicinity of Pittsburgh, are in the main to be well regarded. There seems to be a gradual depletion of natural gas in this territory and the company before long will have to install artificial gas plants. Its electric subsidiary, the Duquesne Light, is very successful. An improvement is being noted in its street railway properties and a potential earning power is already manifest.

Public Service Corporation of New Jersey

It is understood that this company will endeavor to do new financing by

(Continued on page 656.)

Petroleum

Barnsdall Corporation

A Company With Far-Seeing Management

Barnsdall Principally an Oil Producer and Refiner But Possesses Many Valuable Mining Properties — Strong Financial Position and Favorable Outlook

THE Barnsdall Corporation is little known to the general investing public but is infinitely more worthy of respect than a number of companies whose shares are constantly parading in the limelight. This extremely interesting company is mainly an oil producer and refiner through its own activities and those of its numerous subsidiaries but is largely engaged in the production of natural gas and, in addition, holds valuable mining properties in Mexico, Colorado and West Virginia.

The company since incorporation in 1916 has pursued the basic policy of developing its properties and has at all times been careful to conserve its financial assets. The company is being built on a solid foundation for the investment future. Immediate rewards, so far as stockholders are concerned, are ignored.

No profits are reported to stockholders until every conceivable charge has been made against the year's earnings. Before a final balance is shown, depreciation and depletion is charged off, including reserves for taxes. It will be seen that this policy is conservative enough to please the most critical.

Earnings in 1921

Last year was a rather critical one for the oil industry, in common with most other industries, and it is not a remarkable fact that the earnings of this company should have shown a material recession from that of previous years. The final results for 1921 were net earnings of $782,703 on the 690,000 shares of class "A" and class "B" capital stock. This amounted to about $1.13 a share on both classes of stock—not a very remarkable showing in view of the fact that the same company earned about $5 a share in 1920 and $2.70 a share in 1919. The reason for the decline in earnings, of course, was due to the fact that severe charges for inventory depreciation had to be written off, owing to the continuous fall in oil prices during a great part of last year. For the first six months of 1921, for example, there was a loss due to inventory depreciation of about $385,000.

Were it not for the drastic charge-offs, which is the company's policy, the company would have shown earnings about twice the amount of those actually reported. No less than $1,647,318 was written off for depreciation, depletion and drill charges out of a total net income of $2,663,820.

It will be noticed that although the company lost $385,000 in the first six months of last year, the improvement in its business during the second half of the year resulted in a net income available for dividends of $782,703, as previously mentioned, suggesting the high recuperative power of the company with regard to earning ability. Considering,

the favorable operating results for the last six months of 1921, it is apparent that the company's trend of earnings is upward.

Of course, the rate of earnings will be largely governed by conditions existing in the oil market. At this writing, it does not appear, however, that further downward revisions in the price of oil products will be necessitated. In fact, the feeling in the trade at large is that some time this year at least there will be a substantial recovery in prices of crude and most grades of refined oil. This, naturally, will enhance the rate of the company's earnings. It will be noticed, however, that even under present comparative depressed conditions Barnsdall is able to make a fairly good showing.

Capitalization

The funded debt of Barnsdall Corporation consists of $8,000,000 in 10-year convertible sinking fund 8% notes due January 1, 1931. These notes are redeemable at 107½ and interest prior to January 1, 1924, at 104 and interest during the next three years, 102½ and interest for the next two years and at 101 and interest thereafter. The conversion feature provides that the notes may be converted into class "B" stock of the company at $40 a share at any time prior to maturity or up to 10 days before redemption date with adjustment as to interest and dividends.

The notes are a direct obligation of the company but are not secured by a mortgage. They are currently quoted at about 99 giving a yield of over 8%. These notes do not belong with the first-grade investment issues but may be considered suitable for the funds of a business man or investor willing to take a reasonable risk for so high a yield. The company, however, seems able to cover interest charges by an ample margin so that from a practical viewpoint it does not seem that much risk is involved in this issue.

In addition to the above, there are $2,815,500 bonds of subsidiary companies.

The outstanding capital stock consists of 520,000 shares ($25 par value) of class "A" stock and 170,000 shares ($25 par value) of class "B" stock. These issues share alike in dividends and are equal in the event of dissolution or liquidation of the company. The class "A" stock has the exclusive voting privilege except in the case where the capital structure of the company is to be changed, in which case holders of class "B" stock join in the voting privilege. Class "B" stock also has the voting privilege equally with class "A" when there have been no dividends declared over a twelve-month period. Inasmuch as the last payment was declared April 30, 1921, holders of the "B" stock will soon be acquiring the voting privilege unless, indeed, the company unexpectedly resumes dividends.

The company's properties are located in the mid-Continent field and even its poorest properties are well placed. The refining capacity of the Bigheart Producing and Refining Company, its main subsidiary, is about 3,000 barrels a day while the present output is about 2,000 barrels a day. While the principal sources of revenue are the oil properties,

(Continued on page 647.)

Prospects of the Tank Car Companies

Affairs of the Two Largest Factors in the Field—Union Tank's Earnings

THE tank car has long been one of the most important units in oil transportation. It has a distinct field of operation—the overland transport of refined oil products.

There is practically no competition between the tank car and the pipe line. The latter is used, primarily, for the transport of crude oil. Once used for this purpose, it cannot be cleaned to run gasoline or other refined oils. The tank car carries these products—including fuel oil, asphalt, road oil, and the like.

Tank cars supplant pipe lines not infrequently as carriers of crude. When a new oil field is opened, tank cars are used to transport the production until the construction of a pipe line—which is costly—is known to be justified. Also, small refineries, which cannot make use of the pipe-line delivery system, generally use the other means.

The tank car business has expanded rapidly in recent years. According to one estimate, there were about 50,000 cars of this type in the United States and Canada just before the war. Last year there were no less than 137,000.

The development of this branch of the oil business was a natural accompaniment of the war and post-war oil boom.

The railroads, the larger independent oil operators and some of the Standard companies have their own tank car capacity. However, there are two leading units in the field, whose facilities are in the majority. One is the Union Tank Car Co., before the dissolution a link in the Standard Oil chain. The other is the General American Car Corporation, an independent concern.

The shares of both these companies are listed on the New York Stock Exchange and merit analysis.

Union Tank Car

Union Tank, offshoot of Standard Oil, has an interesting record.

The company, so far as can be ascertained has confined itself to the rental and routing of tank cars to the former subsidiaries in particular and the oil trade in general since its organization. An effort has been made to enter the tank car construction field through erection of a plant in Lima, Ohio; but the company is not shown to have completed this unit.

In the period from 1912 to 1920, inclusive, Union Tank did a constantly increasing business, scoring the largest recorded earnings in its history in the latter year.

The same year that saw these record earnings, however, also witnessed an important change in the company's financial affairs. Either for purposes of working capital, or else for the single purpose of obtaining new capacity, the company entered the open securities market and assumed certain important financial obligations.

The original financing was the sale of $12,000,000 7% preferred stock entitled to cumulative dividends. Apparently this amount proved insufficient, as the company shortly afterward sold a $12,500,000 issue of 10-year 7% notes.

UNION TANK CAR'S WORKING CAPITAL

	1915	1916	1917	1918	1919	1920	1921*
Current Assets:							
Material	$397,246	$469,069	$640,795	$536,048	$512,595	$881,608	$545,603
Cash and Sec'ties...	533,354	42,098	706,067	1,279,049	2,817,908	8,827,779	4,772,563
Accts. Receivable...	658,727	598,791	1,970,617	1,106,929	1,209,018	1,978,392	1,661,377
	$1,589,327	$1,109,958	$3,317,479	$2,922,026	$4,539,521	$11,687,779	$6,979,543
Current Liabilities:							
Accts. Payable......	$95,206	$405,479	$3,080,955	$405,019	$327,303	$1,265,065	$781,115
Res. for Annuities..	......	......	......	......	180,649	162,867	153,659
	$95,206	$405,479	$3,080,955	$405,019	$507,952	$1,427,932	$934,774
Working Capital	$1,494,121	$704,479	$236,524	$2,517,007	$4,031,569	$10,259,847	$6,044,769

*June 30th.

High Cost of Equipment

At the time of the financing, it was suggested in these columns that the company seemed to be entering the equipment market with construction costs at the peak. There was the understanding that the building of tank cars involved an expense of $3,000 as opposed to a cost of about one-third as much before the war. It was also brought out that rental charges of tank cars had not increased in proportion.

The new construction brought Union Tank's supply of cars up to the highest total in its history. The following table shows the number of cars owned by the company in the period from 1913 to date:

		Cars Owned	Increase
1913	Jan. 1	11,881	...
1914	"	12,411	530
1915	"	12,389	...
1916	"	14,358	1,969
1917	"	16,969	1,711
1918	"	18,065	1,996
1919	"	20,039	1,974
1920	"	20,578	539
1921	"	26,943	6,365
1921	Feb. 14......	27,720	777
1921	Nov. 15......	29,689	2,169

In view of the new financing done by the company, the subsequent income statements and balance sheets were awaited with much interest.

Effects of Trade Dullness

The statements for the six months to June 30th, 1921, are the latest available. Estimating the company's earnings for the entire year 1921, with the 6-months' statement as a basis (which does not seem a pessimistic viewpoint), it is seen that net earnings were very considerably below the 1920 level, and that the net income available for the shares was less than in 1920 by over $2,000,000. The company's financial position was also impaired considerably, working capital as of June 30th, 1921, amounting to $6,044,769, as contrasted with over $10,000,000 in the previous year.

Impairment of working capital sprung from a reduction of over $4,000,000 in the item "cash and securities." This development corresponds more or less exactly with the company's action in redeeming, as of February 1st, this year, $3,000,000 of its equipment trust note issue.

The current business of the Union Tank Car Co. is assumed to be on a scale reflecting the comparatively dull state of the oil industry. Reports that the company's rental rates have been reduced 25% are an indication of the changed situation in the matter of tank car supplies.

Conclusion

Union Tank's securities consist of $9,000,000 7% gold notes, maturing in 1930, $12,000,000 7% cumulative preferred, authorized and outstanding and $12,000,000 common stock, of an authorized issue of $25,000,000.

The notes, around 103, are a good short-term investment.

The preferred stock, which has ranged from as low as 90¼ to as high as 105, sells now around 103, where it yields about 6.8% and is an attractive investment.

The common at around 96 seems speculative in view of the condition of the industry.

General American Tank Car

The General American Tank Car Corporation is the strongest independent in the tank car field.

This company was formed in 1916 as a holding company built up around the General American Tank Car Corporation of West Virginia.

The company has some special features of strength which distinguish it from its competitor. Its chief advantage lies in its facilities for the construction of other railroad car equipment as well as tank cars. It has a plant at East Chicago, with capacity for 12,000 all-steel tank cars and 3,000 miscellaneous steel freight cars;

(*Continued on page 654*)

Mining

Low-Priced Mining Stocks on Bargain Counter

Chile, Ray, Nevada, and Seneca, as Well as Zinc Stocks, Give Promise

By C. S. HARTLEIGH

FOLLOWING a period of industrial depression, when unmistakable signs of gradual improvement are at hand, experienced traders examine the list of industrial shares for the purpose of selecting what they believe to be the best bargains. The securities are generally classified according to industries, because some lines of business are usually in better position than others, and therefore likely to be the first to share in the better times ahead.

Aside from the classification of stocks according to industries, a segregation of the lower priced securities is often made because the low priced stocks offer the greatest speculative opportunities, all other considerations being equal.

Why Low-Priced Stocks Are Favored

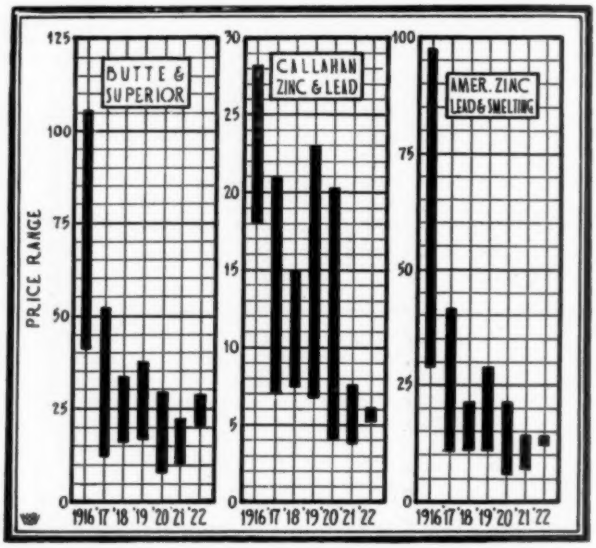
The experienced investor and trader knows that those industrials which have passed safely through a serious crisis, with their financial structure in sound condition, and with no probability of receivership or other financial difficulty, are in the best position to advance in market price. After the trader has made out a list of eligibles from which to select his new commitments, he will be inclined to favor the lower priced issues as having the greater speculative possibilities.

It is easy to appreciate the reason for this. If a stock selling at $100 a share advances five points, it has increased 5% in value. If a stock selling at $10 a share advances five points, it has increased 50% in value.

Some may say that this comparison is not altogether fair, because the two stocks are not likely to advance the same number of points. This may be true, but the probability is greater that they will advance somewhere near the same number of points, than that the higher priced issue will advance fifty points while the lower priced issue is advancing five points. With this probability in mind, it is usually necessary to admit that the lower priced stock, assuming that it is as sound as the higher priced issue, will have the speculative advantage.

Both theory and practice in the stock market show that stocks representing certain industries should be purchased as they are beginning to emerge from a decline, or a reaction, as the case may be, and at a time when the industrial conditions surrounding the issue have turned the corner and are definitely headed towards improvement.

Mining shares that represent corporations in a healthy financial condition, and with sufficient ore reserves to guarantee a supply of raw material for a few years ahead, have always been speculative favorites.



During the recent industrial depression, the mining industry was hit about as hard as any other industry, and in view of the fact that many of the metals were accumulated to a great extent during the boom period immediately following the close of the war, and for the further reason that many of these metals and products were not among the necessities of life during the period of readjustment, it may be fair to say that in many respects mining got a little the worst of the deal.

The Better Low-Priced Mining Shares

At the first signs of industrial improvement the better mining shares began to respond, and many of them have already discounted, many months in advance, the first wave of real prosperity that is likely to reach the treasuries of the mining companies. However, all shares have not responded in the same degree, and many of the issues now selling below $25 a share may be considered on the bargain counter so far as long-pull commitments are concerned.

Those who can appreciate the probable demand for the various metals during the next four or five years, are bound to have a very optimistic long-pull view of the situation, although they may feel that the immediate trading possibilities are not particularly attractive. Nevertheless with the realization that the demand for metals in the near future, or as soon as industrial readjustment has gone a little further, will be unprecedented in the history of the mineral industry it is comforting to know that even if current trading commitments are a little slow, and even if a reaction or two may have to be faced, a commitment made in a perfectly sound low priced mining stock is sure to yield a satisfactory average return on the money involved within the next few years.

The following seven stocks, namely, Chile, Nevada, Ray, Seneca, Butte and Superior, American Zinc, Lead & Smelting, and Callahan Zinc Lead, are selling below $25 a share, four of them representative of the copper industry and the other three representative of the zinc industry, and all offer speculative possibilities that are worthy of consideration at this time.

The three coppers, Chile, Nevada and Ray, are all selling for less than half their high prices of 1916, and Seneca is quoted at less than half its high price of 1919. Seneca is near its low price for the past year, Nevada and Ray have had a slight advance during the past six months, and Chile has advanced to its highest price since January, 1920.

Outlook for the Coppers

Few will question the probability that these four coppers will be quoted at substantially higher prices if held for the long pull, but the immediate future is in doubt on account of the present unsettled condition of the copper industry.

During the past month or two, certain copper consumers, including in-

portant brass manufacturers, have overbought. In fact, it is believed that some consumers have taken advantage of what they considered bargain prices to purchase supplies as far ahead as the end of the current year. Their withdrawal from the market just at a time when strikes in Germany were spoiling the foreign trade in the metal, naturally put a damper on the market for the time being. However, the German situation has cleared up, and the further consolation remains that even if the brass interests did overbuy, many large wire-drawers have been purchasing copper from hand to mouth, so that their requirements are still to be heard from, and their influence is likely to be favorable.

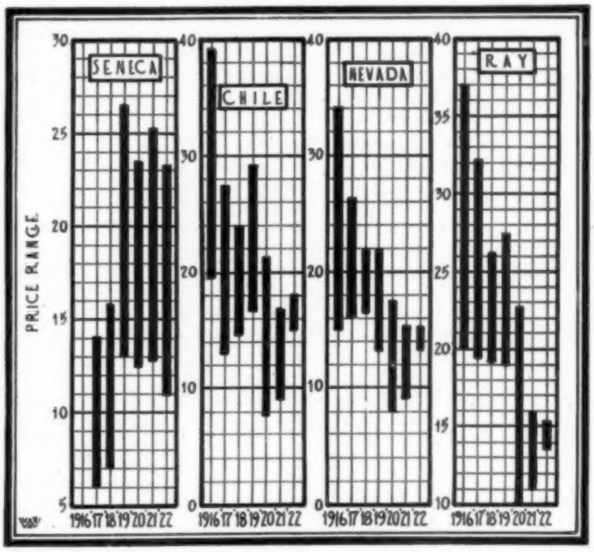
Another set of conflicting influences has developed in the production end of the business. Although the unsold stocks of the metal have been greatly reduced, and delay in resumption of operations by many large producers might, as some believe, tend to cause a temporary shortage of the metal in case the demand recovers sooner than the producers can regain their stride and get their metal out of the ground, through the mills, smelters and refineries, and into the market—a process requiring all the way from three to six months, according to local conditions —the opposite influence is just as likely to assert itself, namely, the consumers may delay their buying in the hope that the resumption of operations on the part of so many producers will have the effect of breaking the price still further, to the advantage of buyers who are patient.

With all these influences at work, the copper situation has assumed an attitude of uncertainty which can be altered only by a definite improvement in demand for the metal, as a result of general industrial advancement. The effect of all this on copper shares has been to keep them in a narrow trading zone ever since their last strong advance, which apparently in some instances more than discounted the current industrial improvement, although the coppers have not exhibited any actual weakness at present levels.

Nevada and Ray have been sluggish in their market movements, and consequently while they do not offer attractive opportunities to traders, they present long-pull prospects for substantial profits at present prices.

During 1920 Nevada's average cost per pound of copper produced was 17.28c, as compared to 16.14c during the previous year. The average price received for its copper during 1920 was about 17.75c, indicating a very small margin of profit. However, it appears that the average cost of producing copper during the first quarter of 1921 was more favorable, amounting to about 13.84c a lb., exclusive of Federal taxes and depreciation. After making allowances for gold and silver, and other income, the net cost was reduced to 12.67c, as against 15.52c during the last quarter of 1920. Whenever the company resumes operations, and has reached its normal stride, it will no doubt operate on a much more favorable cost basis than during the two years prior to its shutdown, for it will have the advantage of lower wages, lower cost of supplies, and no doubt some other carefully worked out economies. During the latter part of 1921 the company directed its attention to the development of the Ruth Mine, where substantial reserves of high grade copper ore were being disclosed, some of the ore reported to average around 10% copper. Some unofficial estimates suggest that there may be as much as 500,000 tons of this smelting ore available.

Ray Copper has had the advantage in cost over Nevada by 1¾c a pound during 1920, and a little over 1c a pound during the previous year. In view of this fact, it is reasonable to suppose that Ray will be in a position to resume operations before Nevada can consistently do so, but no definite arrangements have been made in this direction, for even under probable reduced cost of production, there is little margin of profit for this property under present metal market conditions.



Chile has forged ahead more rapidly than most of the other low cost coppers, until it appears to be almost out of line on the uphill side. That the ultimate future of this property and its long life are assured, together with the fact that it is in strong hands and likely to be manipulated in order to make the conversion of the bonds attractive, suggests that these shares have bright long-pull prospects ahead of them, even if there is a possibility for a reaction or two along the way.

Seneca's recent sinking spell is apparently due to artificial influences, such as pool manipulation in connection with the marketing and distribution of new stock, and to forced liquidation by certain individual interests whose misfortunes or actions have nothing whatever to do with the intrinsic value of the shares. Seneca is probably destined to become an important low-cost producer in its district, and it should profit by the fact that it has opportunity to avoid the mistakes and profit by the experiences of its neighbors, as it develops, equips and brings its property up to production in time to gain the full advantages of the next wave of intensive copper consumption in the machinery manufacturing and electrical equipment industries.

Zinc Shares Give Promise

It is not too late to consider another class of mining shares, namely, the zinc stocks, represented by such low priced issues as Butte & Superior, selling at about 21, American Zinc, Lead & Smelting, at around 13, and Callahan Zinc-Lead between 5 and 6. Some will say, "Why consider zinc stocks when the industry is so dull?" But they said this some time ago when these stocks were several points lower, and they will innocently advocate the purchase of these shares when the zinc industry is flourishing and it is time to take profits and look for something else that is emerging from a discouraging situation.

Turn to the price range graphs of zinc stocks before deciding that it is not time to accumulate zinc shares, and you will see the situation in a new light. Remember that crape-hangers on the copper outlook were actually warning their friends to let copper stocks alone up to the very beginning of the last strong advance in these shares. Zinc shares are not as cheap as they were a month or two ago, but they are cheaper than they will be a few months hence. Therefore, the shares of those companies that have gone through the depression and have avoided serious trouble, deserve serious consideration.

In this connection it is interesting to note the commercial importance of zinc, the consumption of which in the United States during the past few years has averaged around one-third of a million tons per annum. During the last pre-war year, namely 1913, the world's total production of zinc was about 1,100,000 tons, of which the United States contributed 346,000 tons, Germany 312,000 tons, and Belgium 218,000 tons. The total European production during that year amounted to 743,000 tons. In 1919, the United States purchased 459,000 tons and consumed 304,000 tons of the metal.

The great industries in the United States that consume zinc are: Galvanizing, 200,000 tons; brass making, 175,000 tons; sheet rolling, 50,000 tons; lead desilverization, 6,000 tons; zinc castings, 2,300 tons; and all other purposes from 15,000 to 20,000 tons. During the period from 1915 to 1916, the galvanizing trade consumed from 40% to 45% of the zinc requirements of the United States, brass making accounted for from 35% to 40%

(*Continued on page 652.*)

Intimate Talks With Readers

Should You Invest or Speculate?—What Is More Profitable? —Advantage of Market Order—Do You Buy on Margin?

Big "Volume" Days

EXPERIENCED observers of stock-market movements invariably count on "volume" days to mark the culmination of a price swing in either direction. Thus, if the market has been advancing for several weeks with the volume irregularly, or perhaps regularly, rising from about 300,-000 or 400,000 shares a day to a million or more, a reaction of some proportion invariably follows, if indeed a distinct turn in the opposite direction does not set in within a day or two. It is a regrettable fact, but one which cannot be gainsaid, that the great majority of speculators buy at the top and sell at the bottom. It is true, also, that the higher the market goes the more furious becomes the buying; while the lower it goes the greater the eagerness of the public to throw its holdings overboard. This is the philosophy of the "volume" day, so that a big turn-over, following several weeks of steady decline, is a pretty safe indication that the time has arrived to close short contracts and buy long stocks, as a rally will almost surely follow. Conversely, a big "volume" day after several weeks of an advancing market, is a pretty safe indication that the big operators are taking advantage of the public's appetite for stocks to liquidate their holdings, and that the time has arrived to sell out and take the short side for a turn, at least.

Bonds That Are Not Bonds

THE word "bond" should not be accepted at its face value as such, nor even at its coupon value. Some bonds are so very far removed from the rails or the property as to deserve the title of "bond" only by courtesy. Every ordinary bond makes the holder a creditor, entitled at maturity to so much and no more, and to demand his interest and no more. He cannot always demand his interest, unfortunately, if there is anything in the bond that leaves it to the judgment or discretion of the directors "to pay when earned" or "to declare interest out of profits." Bonds like the latter are generally in the "income" or "adjustment" class, and as for security, they usually rank last after all other real bonds and mortgages are satisfied, but rank prior to all common and preferred stocks. If they are really *bonds* with the adjustment or income feature attached, then they are almost invariably a real obligation of the company, with a lien that is rather a long way removed from the property. Some of them are "cumulative" and some are not. It is somewhat tiresome to read through the small engraved type provision of the average bond, but you cannot know your bond until you do. It's like a life or fire policy—very important but tiresome.

Stops on Bonds?

A READER wished to know whether it is possible to protect bonds against a decline by using stop loss orders. The answer is "Yes," but who wants to buy bonds for investment, not be sure that any particular bond is actually a good investment, and then place a stop on it? No one is justified in buying a bond unless he feels morally sure that he is putting his money into an issue that has shown a 100% margin safety for interest requirements at least. If he goes into one with weaker qualifications, he ought to be able to calculate in advance at what point in its earnings situation such a bond would be risky enough to justify the use of a stop order.

Let us say at once that a bond can be "stopped" in exactly the same way as a stock, but it is a practice that has fortunately not spread generally to the bond market, and we would not like to see this speculative aspect of buying and selling carried into the investment market. A specialist in a bond will certainly accept a "stop order" but the owner must take the risk that at any given time the market for his bond may become rather thin, and with no option to the specialist left but to sell "at the market" (which really means —to the highest bidder) we can well anticipate the unpleasant argument that could arise under certain conditions. Still there are many active bonds on the list like the N. Y. Central deb. 6s and 4s, Northern Pacific 4s, Great Northern 7s or Rock Island 4s. A stop order in these *should* be executed close to market prices, but there is no guarantee that it *would* be.

We would prefer investigating first, then deciding, and using a "mental stop" by keeping tabs on the earnings and margin of safety for fixed charges. If in doubt, we are always glad to give information, a rating, or opinion.

Guaranteed Stocks

THIS refers to dividend paying stocks of companies leased or controlled by larger companies whose dividends are guaranteed unconditionally by the latter. Companies like Pennsylvania R. R. and Delaware, Lackawanna & Western have guaranteed the dividends on the stocks of some of their "subsidiaries" or companies essential to their system, and the rating of such guaranteed stocks is superior and prior to any dividends on their own stocks, or even their own preferred stocks. A guarantor puts himself in the position of a debtor, and the holder of a guaranteed stock is in the position of a creditor, and under certain conditions can take the debtor to court and cancel the lease or agreement by virtue of which the guarantee was created. Guaranteed stocks very often sell higher than bonds although at present their general yield is somewhat less than 6%. As a rule they are closely held by trustees, institutions and others of the same type.

Loaning Rates on Stock

WHAT is meant when a stock is said to be loaning "flat," or "at a premium," or less than the posted rate for call money? It is doubtful, indeed, if even among the rank and file of Wall Street speculators one out of ten could give an intelligent answer to these questions. It is a fact that many people still entertain the notion that a stock "loaning" at say 8% must be in greater demand for borrowing purposes than one loaning at 2% or less. The very reverse is true.

When a broker sells a stock short for one of his customers, unless he has the stock on hand he will have to borrow it in order to make delivery to the broker to whom the sale was made. He may borrow it privately, that is, from one whom he knows to have the required amount actually in his possession, or he may borrow it from the "loan crowd" on the Stock Exchange. In either case he will have to put up adequate security for the stock thus borrowed; otherwise the lender would have nothing to show for the stock parted with, which stock conceivably might change hands fifty times a day.

Now the only acceptable security in this case is cash, so that when the broker borrows say 100 shares of U. S. Steel common, quoted at the time at 85, he gives the lender his check for $8,500 upon which amount the lender pays interest at the prevailing call-loan rate, which may be 4, 5, 6, 8, 10%, or more, depending on the condition of the money market at the time. Stocks never are "loaned" at above the call-money rate, of course, for in the first place money in hand is always worth at least as much as stock, while, in the second place, the funds advanced to the lender of stock really have the character of a call-money loan, since the lender of the stock may demand its return at any time; return the money put up as security; and thus close the transaction, making it necessary for the broker to borrow elsewhere in case his customer still adheres to the short side of the market. But as a rule there always is a plentiful supply of stock for borrowing purposes, for, as indicated above, lending stock is another way of borrowing money, with this advantage, that the borrower can always obtain the full market value of his collateral, whereas he would not likely get more than 60 to 80% thereof from his bank.

(Continued on page 649.)

The Commercial Romance of 1921

THE human race took a long step forward when this country made it *respectable* for a man to earn his own living.

Today, if Americans couldn't talk *business* at lunch, most of us would prefer to go off and eat by ourselves.

Even at social gatherings, men manage to drift together for some touch-and-go business gossip to finish the day.

Probably your own boy, long before he is able to vote, feels the national instinct to *start something.*

American characteristics that may explain in part the peculiar public interest in the New Improved Gillette.

All the circumstances surrounding the New Improved Gillette stir a man's feeling for *commerce.*

The radical new invention. An improvement so *basic* that nothing in the Patent Office contained even a hint of its slightest detail.

The courage to put this new invention on the market—risking the twenty-year old Gillette prestige on *faith in the public understanding and appreciation.*

The immediate response of the Gillette public. 600,000 New Improved Gillettes in America. Nearly 400,000 to England, France, Holland, Belgium, Denmark and Italy. And thence to the remotest parts of the earth.

Night-shift production in the Gillette Factory, meeting the demand as it doubled, and doubled again.

* * *

You may often hear it said that "The way this New Gillette is going over reads like a romance."

Times may fluctuate.

Human beings do not.

The reward is still to the *pioneer.*

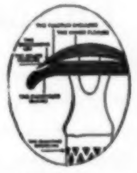
Pioneering in the field of enlarged service to men in their restless human ambition to *go forward.*

Important About the New Improved Gillette — A Word About the Blades

Most men prefer to screw the razor up *tight* to get the most satisfactory shave.

Gillette deems it proper to ask the public to use Gillette Blades *only* in *genuine* Gillette Razors.

The Gillette Blade and Razor are developed to work *together.* No Gillette Blade can deliver its full shaving quality unless used in a *genuine* Gillette Razor—built by Gillette, in the Gillette way and up to Gillette standards.



The New Improved
GILLETTE SAFETY RAZOR

Uses the same fine Gillette Blades as you have known for years—but now your blades can give you *all* the luxury of the finest shaving edge in the world.

A shaving edge guarded from the face, but *free to the beard.*

Identify the New Improved Gillette by its

Fulcrum Shoulder
Overhanging Cap
Channeled Guard
Micrometric Precision
Automatic Adjustment
Diamond Knurled Handle
Diamond Trademark on Guard

Finer Shave—Longer Service
More Shaves from your Blades

In SILVER *and* GOLD

Shaving Sets and Traveler Outfits

$5 *to* $75

GILLETTE SAFETY RAZOR CO.
BOSTON, U.S.A.

The New Improved
MADE IN U.S.A. — KNOWN THE WORLD OVER
TRADE — Gillette — MARK
Gillette SAFETY RAZOR
Patented January 13th, 1920

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-21		1922		Last Sale Feb. 23 1922	Div'd $ per Share
RAILS:	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅝	90¼	111¼	75	104	76	100	91⅜	97¼	6
Do. Pfd.	106⅜	98	102½	75	89	72	88½	84½	86	5
Atlantic Coast Line	148½	102½	126	79⅞	107	77	90⅜	88	‡88	7
Baltimore & Ohio	122⅛	90⅝	96	88¼	55¼	27⅝	37	33½	36⅝	..
Do. Pfd.	96	77⅛	80	48¼	59⅛	33⅛	55⅞	52½	54½	4
Canadian Pacific	283	165	220½	126	170⅞	101	139½	119½	136⅜	10
Chesapeake & Ohio	92	51½	71	35⅝	70⅜	46	60	54	59½	4
Chicago Great Western	36⅝	1¼	17⅛	6	14½	6¼	7⅜	5¼	6⅝	..
Do. Pfd.	64½	28	47⅛	17⅛	33⅜	14	18¼	14½	17⅝	..
C. M. & St. Paul	165⅛	96⅜	107⅛	35	52⅜	17⅛	22½	16½	22¼	..
Do. Pfd.	181	130½	143	62½	76	29½	36⅜	29	36⅛	..
Chicago & Northwestern	198½	123	136⅝	85	105	60	69½	59	68⅜	5
Chicago R. I. & Pacific	..	..	45⅜	16	41	22⅝	40⅜	30⅜	40	..
Do. 7% Pfd.	..	..	94⅜	44	89⅜	64	91⅜	83¼	90⅜	7
Do. 6% Pfd.	..	..	80	35⅝	77	54	78⅞	70¼	78⅞	6
Cleveland C. C. & St. L.	92¼	34⅞	62⅜	21	61	31⅜	56	54	‡54½	..
Delaware & Hudson	200	147½	159½	87	116	83¼	113	106⅜	112½	9
Delaware, Lack. & W.	840	192½	242	160	260½	93	119⅜	110½	113¼	6
Erie	61⅛	33½	59½	18⅜	21⅜	9½	11¼	7	10⅜	..
Do. 1st Pfd.	49⅜	26¼	54⅜	15⅛	33	15	18½	11½	18⅜	..
Do. 2nd Pfd.	39⅛	19½	45⅝	13¼	23⅜	10	11½	7½	11	..
Great Northern Pfd.	157⅞	115¼	134⅜	79¼	100⅜	60	76½	70¼	75⅞	7
Illinois Central	162½	102⅜	115	85⅜	104	80⅞	103	97½	98⅝	7
Kansas City Southern	50¼	21⅝	35⅛	13¼	28⅞	13	25½	22	25	..
Do. Pfd.	75⅛	56	65½	40	57	40	55½	52⅜	64¼	4
Lehigh Valley	121⅛	62½	87⅛	50⅜	60⅜	39⅜	61½	56⅝	61	3½
Louisville & Nashville	170	121	141⅞	103	122¾	94	115⅜	108	113	7
Minn. & St. Louis	*65	*12	36	6⅞	24½	5½	9½	5	‡7½	..
Mo., Kansas & Texas	51⅛	17⅛	24	3⅛	16⅜	⅜	4	⅜	3⅜	..
Do. Pfd.	78¼	46	60	6½	25½	2	5	1½	5	..
Mo. Pacific	*77⅛	*21½	38½	19⅞	38⅞	11½	20	16	19¼	..
Do. Pfd.	..	..	64⅞	37½	58⅜	33⅜	51⅜	43½	51¼	..
N. Y. Central	147⅝	90⅝	114¼	62½	84¼	64½	78⅜	72⅜	77¼	5
N. Y., Chicago & St. Louis	109⅜	90	90⅜	55	65	23⅜	64⅞	60	64	5
N. Y., N. H. & Hartford	174⅜	65⅝	89	21⅛	40⅞	12	18⅞	12⅜	17⅞	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	27⅜	16	22⅜	19⅜	21¼	2
Norfolk & Western	119⅛	84¼	147⅛	92⅜	112½	84¼	101⅜	96¼	100½	7
Northern Pacific	159½	101⅜	118⅞	75	99⅜	61½	81¼	74¼	80½	7
Pennsylvania	75⅝	53	61⅛	40¼	48½	32¼	35	33¼	34⅜	2
Pere Marquette	*36½	*15	38½	9½	33½	12½	25½	19	24½	..
Pitts. & W. Va.	..	..	40⅝	17⅞	44⅜	21½	25¼	23½	24⅞	..
Reading	89⅝	59	115½	60⅛	108	60⅜	75⅞	71½	74⅜	4
Do. 1st Pfd.	46⅜	41¼	46	34	61	32⅞	48¼	44½	46	2
Do. 2nd Pfd.	58⅜	42	52	33⅜	65½	33¼	51⅜	46	49½	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10⅜	27½	20⅜	27½	..
St. Louis Southwestern	40⅜	18⅛	32¼	11	40	10⅞	28⅜	20¼	27⅛	..
Do. Pfd.	82⅜	47⅛	65⅛	28	49⅜	20½	41¼	32⅜	40⅜	..
Southern Pacific	139⅛	83	110	75⅜	118⅛	67½	86½	78½	85½	6
Southern Ry.	34	18	36⅜	12½	33¼	17⅜	20⅜	17½	20½	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	54	43	52¼	..
Texas Pacific	40½	10¼	29½	6½	70½	14	31⅜	24⅝	30	..
Union Pacific	219	137⅜	164⅜	101¼	138½	110	134⅜	125	133½	10
Do. Pfd.	118¼	79⅜	86	69	74⅜	61½	74½	71½	‡73⅜	4
Wabash	*27⅞	*2	17½	7	13⅜	6⅜	7⅜	6	7⅝	..
Do. Pfd. A	*61⅜	*6⅛	60½	30⅝	38	17	23⅜	19½	22⅜	..
Do. Pfd. B	..	..	32⅞	18	25½	12½	15	12¼	14⅜	..
Western Maryland	*56	*40	23	9¼	15⅜	8⅜	9½	8¼	9¼	..
Western Pacific	..	..	25½	11	40	15	17¼	13⅜	16⅜	..
Do. Pfd.	..	..	64	35	75	51½	54	51⅝	‡51⅜	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6¼	7⅜	6	7⅝	..
INDUSTRIALS:										
Allied Chem.	..	..	..	..	62⅜	34	59½	55⅛	58	4
Do. Pfd.	..	..	..	..	103⅜	83	105	101	103½	7
Allis Chalmers	10	7⅜	49⅛	6	53⅞	26½	46½	37⅞	44	4
Do. Pfd.	43	40	92	82½	97	67⅛	93	86½	91⅞	7
Am. Agr. Chem.	63⅝	33½	106	47⅜	113⅜	26½	36	29⅜	35⅜	..
Do. Pfd.	105	90	103½	89½	103	51	59½	55⅜	57	..
Am. Beet Sugar	77	19⅜	108½	19	103⅜	24½	37⅛	31⅜	37⅛	..
Am. Bosch Mag.	..	..	..	..	143⅞	29½	40⅜	31⅜	39¼	..
Am. Can.	47⅞	6⅞	68½	19¼	68⅜	21⅜	41⅜	32½	40⅜	..
Do. Pfd.	129½	98	114½	80	107⅞	72	100	93¼	99⅞	7
Am. Car & Fdy.	76½	36½	98	40	151¼	84½	152	141	150	12
Do. Pfd.	124⅜	107½	119½	100	119	105⅜	120½	115½	120½	7
Am. Cotton Oil	79½	33½	64	21	67½	15⅛	23½	18⅛	23	..
Do. Pfd.	107⅛	91	102¼	78	93	35½	48	41	48	..
Am. Drug Syn.	..	..	..	..	15⅛	4	6½	4½	5⅞	..
Am. Hide & L.	10	3	22½	2½	43⅜	5	15½	12	14⅞	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	35	69	58	68	..
Am. Ice	..	..	49	8⅞	83½	37	101½	78	99	7
Am. International	..	..	62⅜	12	132¼	21¼	45½	38⅛	44⅝	..
Am. Linseed	20	6⅞	47⅜	20	95	17¼	38⅝	29⅜	34	..
Am. Loco.	74⅜	19	98¼	46⅝	117½	58	111¼	102	108½	6
Do. Pfd.	122	75	109	93	115	96½	115¼	112	‡115¼	7
Am. Safety Razor	..	..	..	..	22	2½	4⅜	3⅜	3⅞	..
Am. Ship & Com.	..	..	..	..	47½	4⅜	12⅞	5½	11¼	..
Am. Smelt. & Ref.	105½	56⅝	123⅜	50¼	89⅜	29¼	48	43⅜	46½	..
Do. Pfd.	116⅜	98¼	118⅛	97	109⅜	63¼	91½	86½	90⅜	7
Am. Steel Fdys.	74½	24½	95	44	50	16	33⅜	30⅜	32⅜	3
Do. Pfd.	..	..	..	..	96½	78	90½	91	‡92½	7
Am. Sugar	136⅜	99⅞	126⅜	89½	148⅜	47⅝	68¾	54½	67⅜	..
Do. Pfd.	133½	110	123½	106	119	67½	96½	84	96½	7
Am. Sumatra Tob.	..	..	145⅜	15	120½	28½	35⅜	23¼	26⅜	..
Do. Pfd.	..	..	108	75	105	64⅜	71	52¼	55½	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	119⅛	92½	120	114½	119⅝	9
Am. Tobacco	*520	200	256	123	314½	104½	142½	129½	139½	12
Do. B.	..	..	..	..	210	100½	138¼	126	137⅛	12
Am. Woolen	40⅝	15	60⅞	12	169½	55½	87¼	78¼	85½	7
Do. Pfd.	107⅜	74	102	72½	110⅜	88½	105¼	102½	105	7
Anaconda	54⅜	27⅛	105⅜	24¼	77⅞	30	50½	47	48¼	..
At. Gulf & W. I.	13	5	147⅜	4½	192⅜	18	31⅛	24⅜	26⅜	..
Do. Pfd.	32	10	73⅜	9⅞	76½	15⅜	23	18⅛	‡18	..
Baldwin Loco.	60⅜	36½	154½	26⅝	156¼	62¼	107½	104	106¼	7
Do. Pfd.	107⅛	100½	114	90	111⅞	92	107½	104	107½	7
Bethle. Steel B.	*51⅜	*18⅜	155⅛	59⅜	112	41½	66	55½	64⅜	5
Do. 7% Pfd.	80	47	186	68	106	87	93	91½	92⅜	7
Do. 8% Pfd.	..	..	110½	92½	116	90	109	104	108	8
Calif. Packing	..	..	50	30	87½	48¼	74⅞	68	74⅞	6
Calif. Petro.	72½	16	42⅜	8	56⅜	15⅜	50⅜	43½	49¼	..

Price Range of Active Stocks

	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-21 High	Low	1922 High	Low	Last Sale Feb. 23 1922	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro. Pfd.	95½	45	81	39½	88	63	87¼	82	‡85	7
Central Leather	51⅝	16⅛	123	25⅝	116⅛	22⅛	33⅜	29⅜	33⅛	..
Do. Pfd.	111	80	117⅛	94⅝	114	57⅛	67⅝	63⅜	67¼	..
Cerro de Pasco	..	..	55	25	67⅛	23	35⅜	32⅜	33⅜	..
Chandler Mot.	..	..	109⅞	56	141¼	38¼	67⅝	47⅝	66⅜	6
Chile Copper	..	..	39⅛	11⅛	29⅛	7⅛	18⅛	15⅛	16⅛	..
Chino Copper	50⅝	6	74	31⅝	50⅝	16⅝	28⅜	26	26	..
Coca Cola	..	..	..	..	42⅝	18	46⅛	41	45⅛	4
Colum. Gas & E	..	..	54⅛	14¼	69	39¼	77	64⅜	76	6
Columbia Graph.	..	..	*166	*97	75¼	2⅜	2⅞	1⅛	2¼	..
Consol. Cigar	..	..	..	..	80	13⅛	30⅛	18⅝	‡19	..
Consol. Gas	165⅛	114⅛	150⅛	112⅛	106⅜	71⅝	94⅛	85	93⅜	7
Corn Prod.	26⅛	7⅝	50⅛	7	105¼	46	105⅜	91¼	102⅛	6
Do. Pfd.	98⅛	61	113⅛	88⅛	112	96	115½	111	113⅜	7
Crucible Steel	19⅝	6¼	109⅞	12¼	278⅛	49	67¼	57¼	60⅛	4
Cuba Cane Sugar	..	..	76⅝	24¼	59⅝	5⅝	10⅝	8⅛	10	..
Cuban Am. Sugar	*58	*33	*273	*38	*605	10⅝	21	14¼	19⅛	..
Fisk Rubber	..	..	..	..	55	8⅝	13	11¼	12⅝	..
Freeport Tex.	..	..	70⅛	25⅜	64⅝	9⅛	15	12¼	14⅜	..
Gen'l Asphalt	42⅞	15⅛	39⅜	14¼	160	32⅛	65⅜	55⅛	63	..
Gen'l Electric	188⅛	129⅜	187¼	118	176	109⅛	155½	136	153⅛	8
Gen'l Motors	*51⅝	*25	*850	*74⅛	42	9⅝	10	8⅛	8⅜	..
Do. 6% Pfd.	..	..	90⅛	72⅜	85	63	73	69	‡70⅛	6
Do. 6% Deb.	..	..	..	..	84⅜	60	73	69	69	6
Do. 7% Deb.	..	..	..	..	94	69	85	79⅛	81⅛	7
Goodrich	86⅛	15⅛	80¼	19⅝	93⅜	26⅝	38⅞	34⅛	38⅜	..
Do. Pfd.	100⅜	72⅜	116⅜	79⅞	109⅛	62⅛	87	80½	‡84	7
Gt. Nor. Ore.	38⅛	25⅛	50⅜	22⅛	52⅜	24⅞	36⅛	31⅜	35⅜	4
Houston Oil	25⅛	8¼	86	10	116⅛	40⅛	77⅛	70	76	..
Hupp Motors	..	..	11⅜	2⅛	23¼	4⅝	15	10	14⅜	1
Inspiration	21⅝	13⅝	74⅜	14¼	68⅝	28	41	37⅛	38¼	..
Inter. Mer. Marine	9	3⅛	50⅞	⅝	67⅜	7⅛	16⅝	13⅛	15¼	..
Do. Pfd.	27⅝	12⅛	125⅝	8	123⅛	36	72⅜	62¼	71¼	6
Inter. Nickel	*227¼	*135	57¼	24⅛	33⅞	11⅛	12⅞	11⅛	12	..
Inter. Paper	19⅝	6⅛	75⅛	9⅝	91⅜	30¼	52	40⅛	50	7.
Invincible Oil	..	..	..	..	47¼	5⅛	15⅝	12⅞	14⅜	..
Island Oil	..	..	..	..	7¼	2	3	1⅛	1⅜	..
Kelly Springfield	..	..	85⅛	36⅝	164	25⅛	43⅛	34¼	39⅝	..
Do. 8% Pfd.	..	..	101	72	110¼	70⅛	98	90⅝	‡96	8
Kennecott	..	..	64⅛	28	43	14⅝	30¼	25⅛	27¼	..
Keystone Tire	..	..	46⅛	11	126⅜	8¼	18⅛	15⅛	16⅛	..
Lackawanna Steel	55⅛	28	107	26⅛	107⅜	32	50	44	47	..
Loews, Inc.	..	..	..	..	38⅝	10	14¼	11	13⅜	..
Loft, Inc.	..	..	..	..	23	7⅜	11⅞	9	10⅜	1
Mexican Pet.	90⅛	41⅝	129⅜	46⅛	264	84⅛	126⅛	106⅜	121¼	12
Miami Copper	30¼	12⅜	49⅜	16⅛	32⅜	14⅛	28	25⅜	26⅛	2
Middle States Oil	..	..	..	..	71⅜	10	13⅜	11⅝	13¼	1.20
Midvale Steel	..	..	98⅛	89⅛	62¼	22	32⅜	27⅞	30⅜	..
Nat'l Lead	91	42⅛	74⅜	44	94⅛	63⅛	94½	85	90	6
Nevada Copper	30	16	34¼	10¼	21⅞	8	15½	13¼	13⅜	..
N. Y. Air Brake	98	45	186	55⅞	145⅜	47½	62½	57	60	..
N. Y. Dock	40¼	8	27	9¼	70⅜	16¼	33⅜	28⅜	31⅝	2½
North American	*87⅞	*60	*81	*38⅜	46	32¼	60¼	44	59⅛	3
Do. Pfd.	..	..	..	..	41⅛	31⅞	42⅜	39⅛	42	3
Pacific Oil	..	..	..	..	50⅜	27⅛	47⅞	44⅜	47⅞	3
Pan. Amer. Pet.	..	..	70⅛	35	140¼	38⅛	56⅝	48¼	54⅜	6
Do. B	..	..	..	..	111⅜	34⅛	52	44	49⅛	6
Philadelphia Co.	59¼	37	48⅞	21⅛	48	26⅛	34⅜	31	34	3
Phillips Pet.	..	..	..	..	44⅛	16	33	28¼	‡32¼	2
Pierce Arrow	..	..	65	25	99	9⅛	17⅛	13⅛	15⅞	..
Do. Pfd.	..	..	109	88	111	21	35⅜	27⅞	32	..
Pittsburgh Coal	*29⅜	*10	58⅜	37⅛	74⅜	45	63¼	46	61	5
Pressed Steel Car	56	18⅛	88¼	17¼	113⅜	48	67	63½	66	..
Do. Pfd.	112	88⅛	109⅛	69	106	83	93	91¼	‡90	7
Punta Aleg. Sug.	..	..	51	29	120	24⅜	39⅜	30⅜	38⅛	..
Pure Oil	..	..	148⅞	31⅝	61⅛	21⅛	38⅜	33⅛	35	2
Ry Steel Spg.	54⅛	22¼	78⅛	19	107½	67	100½	94	98¼	8
Do. Pfd.	113⅜	90¼	105½	75	112	92⅛	114⅛	108¼	‡111	7
Ray Cons. Cop.	27½	7⅛	37	15	27½	10	15⅝	13⅝	13⅜	..
Replogle Steel	..	..	..	..	93⅛	18	41	25½	31	..
Republic I. & S.	49⅛	15⅜	96	18	145	41⅛	56⅛	49⅜	52	..
Do. Pfd.	111¼	64⅛	112⅝	72	106⅜	75¼	87½	82	83	7
Republic Motors	..	..	77	81	74⅛	5	8⅛	4⅞	4⅜	..
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅛	52⅜	47⅛	52¼	5.20
Shell T. & T.	..	..	..	..	90¼	30⅞	42	35⅜	41⅜	.74
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16⅛	21⅞	18⅜	19⅜	..
Sloss Shef. Steel	94⅝	23	93¼	19⅛	89	32¼	44	36	‡39	..
Stand Oil N. J.	*448	*322	*800	*355	212	124⅛	183	169¼	178	5
Do. Pfd.	..	..	..	..	114⅛	100¼	115⅞	113⅜	115⅛	7
Stromberg Carb.	..	..	45¼	21	118⅛	22⅛	43⅜	35¼	40⅛	..
Studebaker	49⅛	15⅜	195	20	151	37⅜	99⅞	79¼	98¼	7
Do. Pfd.	98⅛	64⅛	119⅛	70	104⅛	76	106	100	102	7
Superior Steel	..	..	96	30⅛	60	26	31½	26	30	..
Tenn. Cop. & Chem.	..	..	21	11	17⅛	6⅜	11¼	9⅜	10	..
Texas Co.	144	74⅛	243	112	57⅜	29	46	42¼	45⅞	3
Tex. Pac. C. & O.	..	..	..	..	195	15⅜	26⅞	23	26¼	1
Tobacco Prod.	145	100	82⅜	23	115	45	65½	61⅛	63	6
Transcontl. Oil	..	..	..	..	62⅜	5⅜	11	9	9⅜	..
United Fruit	208⅛	126⅛	173	105	224⅞	95⅜	145	119⅜	142	8
Un. Retail Stores	..	..	..	..	119⅛	45⅛	56⅜	50⅛	52	6
U. S. Food Prod.	41⅝	9⅜	64⅜	5⅛	91⅜	8⅛	10⅛	2⅜	3⅞	..
U. S. Ind. Alco.	57⅛	24	171⅛	15	167	35¼	46	37	45	..
U. S. Rubber	69⅛	27	80⅛	44	143⅜	40⅛	56⅜	51⅝	55	..
Do. Pfd.	123⅛	98	115¼	91	110⅛	74	101	99	99⅜	8
U. S. Smelt & R.	59	30⅜	81⅛	20	78⅛	26	37¼	32½	33⅛	..
U. S. Steel	94⅝	41⅛	136⅝	38	115⅛	70¼	96⅛	82	94⅞	5
Do. Pfd	131	102⅛	123	102	117⅛	104⅛	118	114¼	116⅛	7
Utah Copper	67½	38	130	48⅛	97⅛	41⅛	65⅛	60⅝	61⅝	2
Vanadium	..	..	..	..	97	28⅛	37½	30⅛	36⅝	..
Va.-Caro. Ch.	70⅝	22	60¼	15	92¼	20⅜	32⅞	27½	32	..
Do Pfd.	129⅛	62	115⅜	80	115⅝	57⅜	71	67	68⅛	..
Western Union	86⅝	56	105⅛	58⅜	94	76	92⅞	88⅛	92	7
Westinghouse Mfg.	45	24⅜	74⅞	32	59⅞	38⅞	56⅜	49⅛	55⅛	4
White Motors	..	..	60	30	86	29⅛	44	35⅛	38⅛	4
Willys Overl'd	*75	*50	*325	15	40¼	4⅜	5⅞	4⅛	5⅛	..
Wilson Co.	..	..	84¼	42	104⅛	27⅛	42	27¼	41¼	..
Woolworth	117⅞	76⅛	151	81⅛	139⅜	100	152⅞	137	150	8

*Old stock. ‡Bid price given where no sales made.

ANSWERS TO INQUIRIES ON INDUSTRIAL SECURITIES

(Continued from page 619)

AMERICAN CAR & FOUNDRY

A Well Managed Company

I have accumulated 500 shares of American Car & Foundry common stock at prices ranging from 90 to 136, my average price being 118. What would you advise doing at present price of 148?—C. F., St. Louis, Mo.

American Car Foundry Co. is generally regarded as one of the best managed industrial corporations in the United States. It has an excellent record over a long period of years and has built up a very strong financial condition. As of April 30, 1921, working capital was $37,500,000 as compared with the capitalization of $30,000,000 preferred and $30,000,000 common. For the year ended April 30, 1921, 21.15% was earned on the common stock as against 27.6% in 1920 and 32.3% in 1919. Recently the business of this company has picked up and early in November the Binghamton plant resumed operations on full time.

This stock has had a rather substantial advance and while it may go higher we should regard it as good policy on your part to take profits on a portion of your stock. Then, in case the market has a reaction, you are in a position to repurchase lower down.

UNITED DRUG

Outlook More Favorable

As the holder of common stock of the United Drug Co. and Class "A" stock of Liggetts International, Ltd., I would like your advice as to the outlook for these securities. As I am not getting dividends perhaps it would be advisable to switch into some good dividend payer.—R. R. S., Schenectady, N. Y.

United Drug Co. for the six months ended June 30, 1921, just about earned the dividend on the first preferred stock and the second preferred stock. In June of that year the company issued $15,000,000 twenty-year 8% bonds, which largely reduced its floating debt. As of June 30, 1921, current liabilities, however, still totaled about $8,000,000 as against cash and accounts receivable of about $12,000,000. Inventories were $16,139,028. The company will probably have still further losses to write off for depreciation of inventory. Everything considered it does not look to us as though dividends will be resumed on the stock for some little while, especially as sinking fund requirements on the bonds call for retirement of $750,000 annually. Ultimately, this company should work out very well in our opinion, but at present prices of around 69 the stock appears rather high for a non-dividend payer. If you are willing to wait a year without dividends, would hold on, but if you desire quicker action would favor a switch of at least part of your holdings to a good dividend payer such as Westinghouse Electric or Philadelphia Co.

Liggett's International Ltd. operates through its subsidiaries in Great Britain 632 retail drug stores and has 1,744 exclusive agencies known as Rexall Stores. In Canada 39 Liggetts Drug Stores are operated and 630 Rexall agencies. These subsidiary companies suffered from losses in inventories, as did United Drug. The company's financial condition is fairly good and and its stores in England offer good possibilities of increased profits in the future. Class A common stock is convertible into United Drug par for par from July 1, 1922, up to July 1, 1927. Dividends were passed in October, 1921. Because of conversion privilege this stock is about in the same market position as United Drug.

GILLETTE SAFETY RAZOR

Excellent Report for 1921

In Answers to Inquiries I have noted your remarks on Gillette Safety Razor. As I hold some of this stock for investment I would appreciate your advice as to whether I should sell out or hold for higher prices. Do you think foreign competition a very serious factor at the moment.—R. J. K., Scranton, Pa.

We see no reason why you should sell out your stock at the moment as Gillette Safety Razor put out a remarkably fine report for 1921. Of course almost any common stock is speculative and when held should be carefully watched. In the letter which you noticed in THE MAGAZINE OF WALL STREET we pointed out that foreign competition was a factor which might affect this company in the future, but that it has not affected this company adversely up to the present time. Under these circumstances and the fact that in 1921 the company made the best showing in its history we would deem it advisable to hold your stock for higher prices. However, it would be well to watch the effect of foreign competition in this branch of business.

In 1921 Gillette earned $7,008,564, as against $6,803,407 in 1920, and $6,025,350 in 1919. The balance sheet of the company showed a very strong financial condition with cash on hand of $2,434,437, as against current liabilities of only $265,878. Earnings in the current year are reported as holding up remarkably well. In January 264,000 razor sets were sold and 1,447,000 dozen extra blades. This compares with 158,000 razor sets and 857,000 dozen extra blades in January, 1921. This is a splendid showing and justifies stockholders in having confidence in the management of the company.

AMERICAN TELEPHONE

Lower Operating Costs

On the suggestion of the Magazine of Wall Street I purchased some American Telephone & Telegraph stock at 105. As it is now selling close to 119 I should like your opinion as whether it would be advisable to take profits and switch into something else.—A. W. F., St. Augustine, Fla.

American Telephone & Telegraph Co. for the nine months ended Sept. 30, 1921, reported earnings equal to $7.83 per share on its stock. This is at the rate of $10.50 per share per annum. This is not a very good margin over a $9 dividend but in this connection it must be remembered that the company deducts from earnings very large sums for depreciations, renewals and replacements, so that it is justified in paying out practically all of its surplus earnings in dividends. Conditions generally favor public utilities such as this because the cost of operation is going down. Materials and supplies are much cheaper and there

has also been a material reduction in wages.

While we think very well of American Telephone stock, it has had a rather substantial advance and there are other securities which we believe to have better possibilities over the next six months. A suggestion is American Smelting & Refining 7% preferred selling around 90. With the outlook for this company very much improved due to the reopening of the big copper properties and the better situation in Mexico, we believe this preferred stock should work into a much stronger investment position. In the past 20 years with the exception of 1921, it has never failed to cross par and there is every reason to expect that it will go to the higher levels again.

SHORT SALES
Inadvisable at Present Time

I am short 200 shares of Corn Products and 300 shares of Studebaker. This commitment shows me a considerable loss and I would appreciate your advice as what would be the best course to pursue?—M. G. W., Cincinnati, Ohio.

In our opinion, the main trend of the market is upward and we are not favoring short sales at the present time. Of course, Corn Products and Studebaker have had a very substantial advance and we would not care to say whether they may react somewhat from present levels. However, the bulls appear to have things all their own way at the present time and we would certainly advise you to protect your commitment with a stop loss order. Both Corn Products and Studebaker are in very strong financial condition. They came through the period of depression in remarkably fine style and the outlook is for good earnings. At present market prices, although they have advanced considerably, we do not believe that either of these securities are overvalued.

CHANDLER MOTOR
Ambitious Selling Program

I hold 100 shares of Chandler Motor at 64. Would you advise holding for higher prices or selling now? What is the outlook for the company?—S. R., Washington, D. C.

Chandler Motor stock is in a very speculative position just at this time. The company did not earn the dividend for the last quarter in 1921, though it was paid, and the future trend of the stock is dependent upon the ability with which the Chandler management is able to profitably market its cars during the coming year. Their program at present is quite an ambitious one, as we understand it contemplates a production several times that of the past year, despite the era of keen competition in the automobile line. Of course, if the Chandler people succeed in their efforts and have a good year, the stock should sell substantially higher. On the other hand they may not do as well as they expect. Would protect your commitment with a stop loss order.

FEDERAL MINING & SMELTING
Highly Speculative

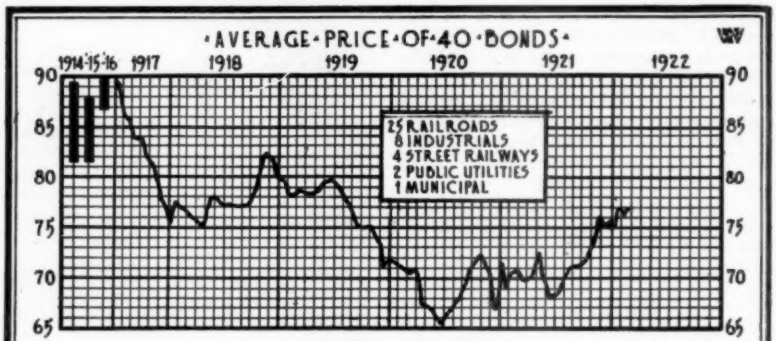
I have some Federal Mining & Smelting preferred stock bought some time ago at 43. Would you advise selling this at present price of 39 and purchase some other stock which would be in a position for a rise soon?—S. M. W., Plymouth, N. H.

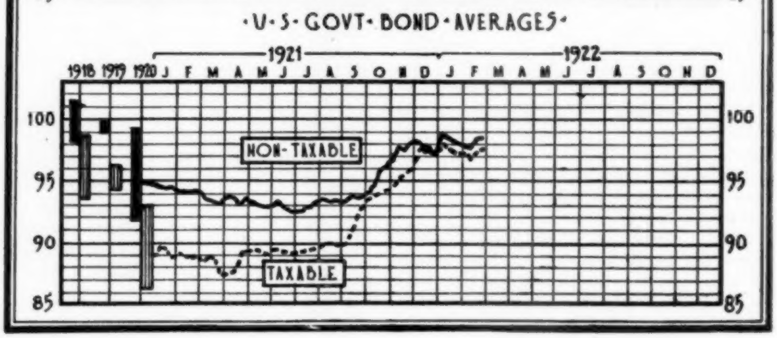
We hardly know how to advise you in

(*Continued on page* 648.)

THE BOND MARKET

(Continued from page 607)





better grade issues and will sell in line with the better secured Middle Grade issues. The greatest possibilities for profit are to be found in this group. The one exception to the general upward movement in this group were the Denver & Rio Grande 1st 5s which reacted 3½ points. The depressed market on these bonds is due to their present unsettled status in regard to the offer of the Western Pacific Railroad to exchange its securities for Denver & Rio Grande bonds.

Current Bond Offerings

INVESTMENT interest was mainly centered in the bonds already listed and sold. New bond issues mounted to a very small figure, the smallest in fact, since last mid-Summer. Most of the new bonds were in the public utility, municipal and farm loan groups. The small number of issues offered during the past week gave dealers an opportunity to take advantage of the strong undertone to the bond market and they pushed the remains of their unsold offerings. Such offerings seem to be pretty well cleaned up by this time and a new flood of offerings is expected within the very near future.

Public utility bonds giving yields from 6 to 7% were the feature of the new offerings. The largest issue in this group was the $4,000,000 Ohio Public Service 1st mortgage and refunding 7% bond issue.

The municipal issues were all comparatively small, ranging in amounts from $40,000 to $1,000,000.

Among future foreign issues will be the 75,000,000 guilder Dutch loan arranged with American bankers. A number of foreign issues are being held in abeyance but it is considered likely that before long several important announcements in connection with large issues to be offered will be made.

The coupon rates on municipals seem to be rather low in view of opportunities elsewhere and there is a growing feeling that regardless of the course of money rates in the near future, higher interest rates will have to be offered by states and municipalities if they are to compete with other issues to be offered and bearing a higher coupon.

The 8% bond is now a rarity, comparatively speaking and the present situation thus differs greatly from the situation a year ago. Few good issues are being offered at over 7% and even this rate seems high in view of the fact that money is at a 4¾% level.

NEW BOND OFFERINGS

State and Municipal		
City of Philadelphia	$9,000,000	4.17+%
City of Seattle	2,000,000	5.20-6.00
Shreveport, La.	1,000,000	4.75-5.00
Industrial		
California & Hawaiian Sugar Refg.	[illegible],000,000	7%
Julius Kayser & Co.	4,000,000	7.10
Railroads		
Baltimore & Ohio...	$10,284,300	5.50-75%
Public Utilities		
Ohio P. S. C.	$4,000,000	7%
Denver Gas & Elec.	3,000,000	6.10
Land Bank Bonds		
Lincoln Joint Stock	$3,000,000	4.80-5%
Fremont Joint Stock	1,000,000	4.80-5%

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
6%	Amer Beet Sugar, p	1½ %Q	3-11	4- 1
7%	Amer Stores, 1st p.	1¾ %Q	3-21	4- 3
7%	Amer Store, 2nd p.	1¾ %Q	3-21	4- 3
$4	Amer Stores, c....	$1 Q	3-21	4- 3
7%	Amer Sug Refin, p	1¾ %Q	3- 1	4- 3
9%	Amer Tel & Tel...	2¼ %Q	3-17	4-15
6%	Amer Tobacco, p...	1½ %Q	3-10	4- 1
6%	Borden Co, p.......	1½ %Q	3- 1	3-15
....	Brandram-Hend'n, c	1½ %	4- 1	5- 1
....	Brandram-Hend'n, c	1½ %	11- 1	12- 1
....	Br-Am Tob, c (£1)	4 %	3-10	3-31
4%	Canadian Pacific, p.	2 %S	3- 1	4- 1
10%	Canadian Pacific, c.	2½ %Q	3- 1	4- 1
6%	Carter (Wm) Co, p	1½ %Q	3- 4	3-15
7%	Chesebrough Mfg, p	1¾ %Q	3-10	3-31
14%	Chesebrough Mfg, c	3½ %Q	3-10	3-31
6%	Cities Service, p...	½ %M	3-15	4- 1
6%	Cities Service, c...	½ %M	3-15	4- 1
6%	Cities Service, c..d	½ %M	3-15	4- 1
d15%	Cities Serv, c ext.d	1¼ %M	3-15	4- 1
....	Cities Serv, bk sh..	b17½c	3-15	4- 1
$2	Colo'l Fin, p ($25)	.50c Q	3- 1	3-31
$1.40	Colo'l Fin, c (no p)	.35c Q	3- 1	3-31
$1	Con'r (J T), c (n p)	.25c Q	3-20	4- 1
8%	Cons G, E L & P, p	2 %Q	3-15	4- 1
8%	Cons G, E L & P, c	2 %Q	3-15	4- 1
7%	Crane Co, p........	1¾ %Q	3- 1	3-15
$1	Crane Co, c ($25)..	25c Q	3- 1	3-15
7%	Crucible Steel, p...	1¾ %Q	3-15	3-31
6%	Davis Mills	1½ %Q	3-11	3-25
7%	Dominion Glass, p..	1¾ %Q	3-15	4- 1
6%	Dominion Glass, c..	1½ %Q	3-15	4- 1
$3	Elk H C'l, p ($50)	.75c Q	3- 1	3-10
$8	Fam Pl-L., c (no p)	.$2 Q	3-15	4- 1
8%	General Electric....	2 %Q	3- 8	4-15
6%	Harb-Walk-Refrac, p	1½ %Q	4-10	4-20
8%	Interlake S S......	2 %Q	3-18	4- 1
....	Interlake S S, ext..	1 %	3-18	4- 1
....	Int'l Shoe, p........	1 %	3-24	2- 1
....	Int'l Shoe, p........	½ %	4-24	5- 1
....	Int'l Shoe, p........	½ %	5-24	6- 1
....	Int'l Shoe, p........	1 %	6-24	7- 1
....	Int'l Shoe, p........	½ %	7-24	8- 1
....	Int'l Shoe, p........	½ %	8-24	9- 1
....	Int'l Shoe, p........	1 %	9-24	10- 1
....	Int'l Shoe, p........	½ %	10-24	11- 1
....	Int'l Shoe, p........	½ %	11-24	12- 1
$2	Int'l Shoe, c (no p)	.50c Q	3-24	4- 1
....	Loew's B T, c ($25)	.25c	5- 1	5-15
4%	Mackay Cos, p......	1 %Q	3- 8	4- 1
6%	Mackay Cos. c......	1½ %Q	3- 8	4- 1
7%	May Dept Stores, p	1¾ %Q	3-15	4- 1
....	Nat Grocer, c ($10)	2 %	3- 5	3-15
6%	National Lead, c...	1½ %Q	3-17	3-31
7%	Nat'l Sugar Refin, c	1¾ %Q	3-11	4- 3
7%	Owens Bottle, p....	1¾ %Q	3-16	4- 1
$2	Owens Bot, c ($25)	.50c Q	3-16	4- 1
$3	Peer T & M ($50)	.75c Q	3- 1	3-31
$3	Peer T & M ($50)	.75c Q	6- 1	6-30
$3	Peer T & M ($50)	.75c Q	9- 1	9-30
$3	Peer T & M ($50)	.75c Q	12- 1	12-31
4%	Pennok Oil ($10)..	1 %Q	3-15	3-31
4%	Pennok Oil ($10)..	1 %Q	6-15	6-30
4%	Pennok Oil ($10)..	1 %Q	9-15	9-30
4%	Pennok Oil ($10)..	1 %Q	12-15	12-30
$2	Phillips P, c (no p)	.50c Q	3-14	3-31
7%	Provincial Paper, p	1¾ %Q	3-15	4- 1
6%	Provincial Paper, c	1½ %Q	3-15	4- 1
6%	Quaker Oats, p.....	1½ %Q	4- 1	4-31
$2	Read Co, 2d p ($50)	.50c Q	3-27	4-13
$1	St Joseph L ($10)	.25c Q	3-10	3-20
6%	South Penn Oil....	1½ %Q	3-14	3-31
....	Southern Oil & R..a	2 %	3-10	3-15
....	Southern Petrol...a	2 %	3-10	3-15
$3	Sullivan M, c (n p)	.75c Q	4- 1	4-15
$3	Texas Co ($25)....	.75c Q	3- 3	3-31
$2	Texas Gulf S ($10)	.50c Q	3- 1	3-15
....	Texas Gulf S, ext.	50c	3- 1	3-15
4%	Union Pacific, p....	2 %S	3- 1	4- 1
10%	Union Pacific, c....	2½ %Q	3- 1	4- 1
$2.50	Union Stor ($25)..	62½c Q	4- 1	4-10
$2.50	Union Stor ($25)..	62½c Q	8- 1	8-10
$2.50	Union Stor ($25)..	62½c Q	11- 1	11-10
60c	United Prof S ($1)	.15c Q	3- 9	4- 1
60c	United Prof S($1)	.15c Q	6- 7	7- 1
7%	U S Gypsum, p....	1¾ %Q	3-15	3-31
4%	U S Gypsum, c....	1 %Q	3-15	3-31
10%	Valvoline Oil, c....	2½ %Q	3-10	3-15
$4	Wabasso Cot (n p)	.$1 Q	3-15	4- 3
6%	West Penn R, 6% p	1½ %Q	3- 1	3-15
7%	Woolw'h (F. W), p	1¾ %Q	3-10	4- 1
7%	Worth P & M, p A	1¾ %Q	3-10	4- 1
6%	Worth P & M, p B	1½ %Q	3-10	4- 1
$6	Wrig (W), J, c ($25)	50c M	3-25	4- 1
$6	Wrig (W), J, c ($25)	50c M	4-25	5- 1
$6	Wrig (W), J, c ($25)	50c M	5-25	6- 1
$6	Wrig (W), J, c ($25)	50c M	6-25	7- 1
$6	Wrig (W), J, c ($25)	50c M	7-25	8- 1
....	Wrig (W) J, c stk d.	e10 %	3-25	4- 3

* Books close on this date.
** Ex-div. date.
† Includes dividends actually declared.
†† Stock does not sell ex-div. until further notice.
‡ Complete record of dividends paid not available.
a Initial dividend.

MARKET STATISTICS

	N.Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y. Times 50 Stocks High	N.Y. Times 50 Stocks Low	Sales
Monday, Feb. 13........	HOLIDAY.					
Tuesday, Feb. 14........	76.75	83.81	77.46	71.66	70.74	644,345
Wednesday, Feb. 15....	76.75	84.09	77.49	72.10	71.37	787,795
Thursday, Feb. 16......	76.74	83.98	77.50	72.30	71.40	759,387
Friday, Feb. 17........	76.79	83.88	77.28	72.04	71.07	712,289
Saturday, Feb. 18......	76.78	84.28	77.23	71.83	71.32	321,500
Monday, Feb. 20........	76.75	84.85	77.61	72.65	71.57	805,204
Tuesday, Feb. 21........	....	85.81	78.08	....	....	......
Wednesday, Feb. 22.....	HOLIDAY.					
Thursday, Feb. 23......	76.81	85.36	78.73	73.59	72.40	1,115,388
Friday, Feb. 24........	76.90	85.18	79.16	73.52	72.43	959,832

UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Recent Asked Price*	Yield
Bronx Gas & Electric Co. First 5s, 1960 (a)	80	6.42%
Buffalo General Electric First 5s, 1939 (c)	95	5.44
Canton Electric Co. First 5s, 1937 (b)	90	6.01
Cleveland Electric Ill. Co. 5s, 1939 (b)	96½	5.31
Cleveland Electric Ill. Co. 7s, 1935 (a)	104½	6.45
Denver Gas & Electric Co. First 5s, 1949 (c)	92	5.57
Duquesne Light Co., Pittsburgh, 7½s, 1936 (b)	104½	7.00
Evansville Gas & Electric Co. First 5s, 1932 (a)	90	6.37
Kansas Elec. Utility First 5s, 1925 (c)	87	10.13
Kansas Gas & Electric 5s, 1922 (a)	100	5.00
Indianapolis Gas Co. 5s, 1952 (a)	88½	5.81
Los Angeles Gas & Electric Gen. 7s, 1931	106	6.12
Louisville Gas & Elec. Ref. 7s, 1923 (c)	100	7.00
Nevada-Cal. Electric First 7s, 1946 (c)	95	7.45
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941 (c)	102	7.20
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929 (a)	91½	6.53
Peoria Gas Electric 5s, 1923 (a)	100	5.00
Rochester Gas & Electric Corp. Series B 7s, 1946 (b)	108	6.35
San Diego Cons. G. & El. First Mtge. 5s, 1939 (a)	91	5.81
San Diego Cons. G. & El. First Mtge. Ref. 6s, 1939	95	6.49
Standard Gas & Electric Conv. S. F. 6s, 1926 (b)	95	7.47
Standard Gas & Electric Secured 7½s, 1941 (c)	100	7.50
Syracuse Gas Co. First 5s, 1946 (a)	90	5.78
Twin-State Gas & Electric Ref. 5s, 1953 (c)	76	6.91

TRACTION COMPANIES

	Recent Asked Price*	Yield
Arkansas Valley Ry. L. & P. First & Ref. 7½s, 1931 (b)	97	7.95
American Light & Traction Notes 6s, 1925 (c)	101	5.63
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940 (a)	70	8.20
Danville, Champ. & Decatur 5s, 1938 (a)	84½	6.58
Georgia Ry. & Power 5s, 1954 (b)	87	5.92
Kentucky Traction & Terminal 5s, 1951 (a)	72	7.30
Knoxville Ry. & Light 5s, 1946 (b)	77	6.99
Milwaukee Light, Heat & Traction 5s, 1929 (a)	93	6.25
Milwaukee Elec. Ry. & Light 7s, 1923 (c)	100	7.00
Milwaukee Elec. Ry. & Light 20 year 7½s, 1941 (b)	102	7.31
Monongahela Val. Trac. Co. Gen. Mtge. 7s, 1923 (c)	99	8.06
Memphis St. Ry. 5s, 1945 (a)	65	8.45
Northern Ohio Trac. & Lt. 6s, 1926 (c)	93½	7.92
Northern Ohio Trac. & Light 6 Year Sec. 7s, 1926 (c)	96	8.19
Nashville Ry. & Light 5s, 1953 (a)	85	6.08
Portland Ry. P. & L. 1st Lien & Ref. Ser. "A" 7½s, '46 (c)	104½	7.12
Topeka Ry. & Light Ref. 5s, 1933 (c)	76	8.38
Toledo Trac. Lt. & P. Co. First Lien 7s, 1921 (b) (6 mos.!)	100	7.00
Tri-City Ry. & Light 5s, 1930 (c)	90	6.63
United Light & Rys. Ref. 5s, 1932 (c)	96½	5.46
United Light & Rys. Notes 8s, 1930 (c)	102	7.66

POWER COMPANIES

	Recent Asked Price*	Yield
Adirondack P. & Lt. Corp. First & Ref. Gold 6s, 1950	98½	6.12
Adirondack El. Power Co. First 5s, 1962	92	5.50
Alabama Power Co. First 5s, 1946 (a)	90	5.78
Appalachian Power Co. First 5s, 1941 (a)	84	6.45
Calif. Oregon P. Co. First & Ref. 7½s, Series A, 1941 (c)	102	7.20
Cent. Maine P. Co. First & Gen. Mtge. 7s, Series A, 1941	102	6.70
Cent. Maine Power Co. 5s, 1939 (a)	94	5.53
Cent. Georgia Power First 5s, 1938 (c)	86	6.41
Columbus Power Co. (Georgia) First 5s, 1936 (a)	91	5.96
Colorado Power Co. First 5s, 1953 (c)	86½	5.98
Consumers Power Co. (Mich.) 5s, 1936 (a)	94	5.63
Electric Dev. of Ontario Co. 5s, 1933 (b)	93½	5.81
Great Northern Power Co. First 5s, 1935 (a)	91½	5.95
Great West. P. Co. First & Ref. 7s, Series B, 1950 (a)	101	6.92
Great West. P. Co. 5s, 1946 (a)	92¼	5.59
Hydraulic Power Co. First & Imp. 5s, 1951 (b)	94¾	5.36
Idaho Power Co. 5s, 1947 (a)	89¾	5.78
Kansas City Power & Lt. 8s, 1940 (c)	105	6.83
Kansas City Power & Lt. First 5s, 1944 (c)	90	5.86
Laurentide Power Co. First 5s, 1946 (b)	92½	5.59
Madison River Power Co. First 5s, 1935	98¾	5.82
Mississippi River Power Co., First 5s, 1951 (c)	90	5.70
Niagara Falls P. Co. First & Cons. Mtg. 6s, 1950 (b)	102½	5.82
Ohio Power First & Ref. 7s, 1951 (c)	103½	6.74
Penn. Ohio Power & Lt. Notes 8s, 1930 (c)	100½	8.00
Potomac Electric Power Gen. 6s, 1923 (c)	100	6.00
Puget Sound Power Co. First 5s, 1933	95	5.62
Salmon River Power First 5s, 1952 (c)	92	5.55
Shawinigan Water & Power Co. First 5s, 1934 (b)	98	5.23
Southern Sierra Power Co. First 6s, 1936 (c)	95	6.55
S. W. Power & Lt. First 5s, 1943 (c)	85	6.27
West Penn. Power First 7s, 1946 (c)	105	6.58

TELEPHONE AND TELEGRAPH COMPANIES

	Recent Asked Price*	Yield
American Tel. & Tel. 3-Year 6s, 1922 (c)	100	6.00
American Tel. & Tel. 5-Year 6s, 1924 (c)	102	4.94
Bell Tel. Co. of Canada 1st 5s, 1925 (b)	95	6.87
Bell Tel. Co. of Canada 1st 7s, 1925 (b)	101	6.63
Bell Tel. Co. of Pa. 1st Refund. 7s, 1945 (c)	107	6.42
Chesapeake & Potomac Tel. Co. Va. 1st 5s, 1943 (c)	85	6.27
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936 (c)	89	6.19
Western Tel. & Tel. Co. Coll. Trust 5s, 1932 (b)	89	6.52

*Investors should note that the "asked" price on a bond may vary from 1 to 5 points from the "bid," depending upon the activity of the security.

AMERICAN POWER & LIGHT CO.

A Public Utility With Prospects—Has Just Increased Its Common Dividend

By James N. Paul

INCREASING the dividend on the common stock of American Power & Light Co. from 1% quarterly to 1½%, recently, calls attention to the 6% Gold Debenture bonds due March 2016. The company is one of the old line public utility holding companies and its securities have enjoyed a high rating for many years. While the debenture bond is not as desirable for investment purposes as a straight first mortgage proposition, earnings have been maintained for years and at present prices the 6s appear to be a good investment with possible opportunities for enhancement in value of principal invested.

Properties Controlled

The company was organized by the Electric Bond & Share Co., which is affiliated with General Electric Co. and in turn it controls through stock ownership Kansas Gas & Electric Co., Portland Gas & Coke Co., Pacific Power & Light Co., Nebraska Power Co., and Southwestern Power & Light Co.

Earnings derived from subsidiary companies have been steadily increasing under better operating conditions. The management, through the Electric Bond & Share Co., is of the highest. Selling at 88 the debentures yield 6.81% if held to maturity.

MANITOBA POWER CO., LTD.

A New Hydro-Electric Power Company Which Appears to Have Good Prospects

Manitoba Power Co., Ltd., was only recently organized by interests affiliated with Winnipeg Electric Railway Co. to construct a 168,000 horsepower hydro-electric plant and transmission lines to supply Greater Winnipeg with electricity. Plant and transmission lines are already under construction. The company is controlled through stock ownership by the Winnipeg Electric Railway Co. and will supply the traction company and subsidiaries with power. With the city of Winnipeg steadily growing in population and abundant supplies of cheap water powers, the company seems to have a good future. Initial installation of plant will be a 56,000 horsepower unit.

First Mortgage 7% Bonds

The bonds constitute a first mortgage on hydro-electric plant and transmission lines and amount outstanding at any time is limited to $35,000,000. There has already been issued $7,500,000 of these First Mortgage 7% Sinking Fund Bonds due November 1, 1941. Additional bonds may only be issued not to exceed 80% of the cost of improvements and betterments provided net earnings after sinking requirements are not less than 1½ times interest charges.

The bonds are guaranteed both as to principal and interest by the Winnipeg Electric Railway Co.

(*Continued on page 644*)

FOREIGN TRADE AND SECURITIES

(*Continued from page* 597)

Germany and Austria. By 1921 the budget deficit had advanced to the enormous amount of $4,000,000,000. Considering that the total wealth of Hungary as presently constituted cannot be much in excess of this figure, it is apparent that Hungary is hopelessly bankrupt, merely depending on the issuing on further paper currency to keep going. The Hungarian kroner is worth nowadays about $.0015 a par value of $.2026.

In "Allied" Countries

With reference to budget deficits, the allied nations make a very favorable comparison with the defeated belligerents—especially within the past year. Thus, while the deficits of Germany, Austria and Hungary are daily mounting, those of France, Italy and Belgium are showing a reverse tendency.

For example, the French deficit in 1921 amounted to $300,000,000 against $1,090,000,000 in 1919; the Italian deficit was similarly reduced from $2,700,000,000 to $820,000,000. The Portuguese deficit, on the contrary, has increased from $80,000,000 to $260,000,000. Belgium seems to be getting a better hand on her finances judging by a comparison between 1919 and 1920 results, although figures for 1921 are not available.

In connection with the lowering of the budget deficits in France and Italy, it is obvious that the rate of paper currency production must soon show a rapidly declining tendency which inevitably should have a good effect on the exchange rates of those two countries.

Conclusion

It should be apparent that the rate of Government debt and the amount of outstanding paper currency circulation must necessarily exert a profound effect on exchange rates. It is not difficult therefore to understand the reason for the huge depreciation in German, Austrian, Polish and Hungarian exchange values when the extent of the deficits of those countries is taken into consideration. The connection between the volume of paper currency issues and rates of exchanges is therefore a very close one.

Obviously the future course of exchange will depend greatly on the results obtained with regard to lowering budget deficits. In the instance of countries which are now getting a better grasp on their finances such as Great Britain, France, Italy and Belgium, it may reasonably be assumed that the exchange rates on those countries will reflect the improved condition by higher values. On the other hand, the situation in this regard with respect to the defeated belligerents seems well nigh hopeless, and a return to parity on the part of such exchanges seems, at this writing, an absolute impossibility.

THE WORLD'S OIL SITUATION AND ITS EFFECT ON AMERICAN PETROLEUM PROPERTIES

(*Continued from page* 593)

than minor factors in the world situation. Probably some of the fields of southern Mexico will extend into Guatemala, while the eastern coast of Honduras and Nicaragua contain some possibilities, but any fields when found will be of the sand type with normal tropical costs of development and production. Aside from the developed pools of Trinidad and Barbados, it is improbable that all of the islands together will ever produce as much as 3,000,000 barrels per year.

Other Fields of the World

So distant are other foreign fields from New York that only a few outstanding facts regarding them are pertinent here. In those foreign lands more remote from world centers, development costs are always high, regardless of the fact that we must transplant our civilization to the deserts and tropics of such lands as Egypt, Persia, Morocco and the Dutch East Indies. Colonial developments never overlap possible oil territory, except as plantations in low-lying areas. Granting the optimists their belief that many great foreign fields will produce at costs equal to those of America, there is still the big economic factor of transportation. Western Canada has one, two or three thousand miles of land transportation to reach the great lakes. Russia has long pipe lines to reach the Black Sea.

The only important prospective oil territory not in the Americas, within five thousand miles of New York, is that of Morocco, where development work has not as yet been started. Should Morocco attain large production, it would still cost seventy-five cents per barrel to bring the oil to New York. None of the fields at present under development will have sea charges as low as one dollar per barrel to New York.

The Effect on American Petroleum Properties

These facts and figures in no way detract from the prospects of handsome profits from foreign oil ventures for many individual companies, but they do sound a warning to all but large, well-balanced companies, which have entry to the markets of the world and possess ample financial backing to justify a group of ventures in which the profits from one will offset losses from another. They do point most directly to a fact of great importance and significance to the holders of American oil property;—that **none of these profits can be made in America, without vastly increasing the values of all American producing properties, as well as legitimate prospects.**

PROMISING OPPORTUNITIES IN RAILROAD BONDS

(*Continued from page 606.*)

Missouri Kansas & Texas Ry. Co.

This road made quite a remarkable showing last year (1921). The road's gross revenue of about $63,000,000 was nearly $10,000,000 less than for 1920, but the net increased from about $900,000 in 1920 to $9,500,000 in 1921. Likewise the net earnings for 1921 were considerably larger than for the five-year period preceding federal control.

A disturbing feature is that for the month of December, 1921, the company reported a net loss after taxes of $126,000 as compared with a profit of $752,000 for the corresponding month of 1920. This was caused by a very heavy loss in traffic as compared with the same month of 1920.

It would probably be advisable to watch for another month's earnings to see if this is going to be repeated, but earnings for the year as a whole were very satisfactory.

The income bonds have about the standing of a preferred stock and are selling on that basis. The 10-year 6% bonds at 92 give a yield of 7% and have good possibilities of appreciation. The same is also true of the income bonds.

St. Louis & San Francisco R. R. Co.

This company did very well in 1921 and showed an increase in net earnings of some nine million dollars over 1920, although the gross dropped about twelve million as compared with 1920. The company earned its full interest on its bonds including the income bonds and had a slight to fair margin left over.

As with the M., K. & T., this road showed poor earnings for December, 1921, which can be expected to improve.

The bonds of this road have been favorites during the last two years and have appreciated considerably—but for a good reason. They have not been on their present basis very long, and are not seasoned, but they are rapidly becoming so and may be expected to sell higher when they have the full confidence of the investing public, who will then take them off the hands of the speculating class.

The cumulative adjustment mortgage bonds are junior to the prior lien 4%, 5% and 6% bonds and in turn underly the income mortgage bonds. Both the adjustment and the income bonds have speculative possibilities.

GENERAL MOTORS CORP.

(*Continued from page 615*)

it on as firm a foundation as was characteristic of a similar period in U. S. Steel.

With the DuPonts in control and J. P. Morgan & Company as bankers, the fluctuations in the price ot the stock may not be spectacular, but the growth and development of the company should be persistent. The percentage, as Mr. Raskob expressed it, which should be earned on the amount of the cash invested, bears every indication of being substantial and enduring.

R. D. W.

MOST POPULAR TRADING STOCKS IN 1921

	Name	Shares Sold in 1921	% of Outstanding Shares Sold	Times Entire Outstanding Shares Common Were Sold
1.	Mex. Pete	9,311,950	2090.%	20.9 times
2.	Gen. Asphalt	7,391,600	3760.	37.6
3.	Studebaker	6,977,850	1100.	11.0
4.	U. S. Steel	5,547,675	109.	1.1
5.	Baldwin	4,706,570	2350.	23.5
6.	Atl. Gulf	4,038,700	2690.	26.9
7.	Genl. Motors	3,406,900	16.6	.2
8.	Sinclair	3,128,150	77.2	.8
9.	Crucible	2,896,380	529.	5.3
10.	Texas Co.	2,482,150	43.7	.4
11.	U. S. Rubber	2,411,750	297.	3.0
12.	Pan Pete	2,388,500	238.	2.4
13.	Pac. Oil	2,308,405	66.	.7
14.	Mid. St. Oil	2,122,550	144.	1.4
15.	Reading	2,115,450	151.	1.5

NOTES:—If at least 50% of the stock was held out of the market to maintain control, then the shares in open market were turned over DOUBLE the number of times indicated in last column above.

In any event, ASPHALT, was completely sold not less than three times a month.

Mex. Pete averaged 31,000 shares per day.

OVER-THE-COUNTER

IMPORTANT ISSUES

Quotations as of Recent Date

Aeolian Weber	.. 20
Pfd.	.. 50
American Piano	54- Bid
Pfd.	73- "
American Type Founders, com	44- 47
Atlas Portland Cement	47- 52
Babcock & Wilcox	109- 111
Borden Company	95- 96½
Celluloid Co.	102- 105
Childs Co., ex. div	111- 116
Crocker Wheeler	40- 50
General Baking	77- 82
Jos. Dixon Crucible	134- 140
Ingersoll-Rand	145- 155
H. W. Johns-Manville	410- 450
New Jersey Zinc	135- 137
Niles-Bement-Pond	41- 43
Phelps, Dodge Corporation	165- 175
Royal Baking Powder Co.	100- 105
Safety Car Heating & Light	60- 62
Stetson (John B.)	295- 310
Thompson-Starrett	58- 63
Victor Talking Machine	1000-1050
Ward Baking Co.	100- ...
Yale & Towne Mfg.	280- 290

Over-Counter Stocks Arousing Interest

DEVELOPMENTS in the over-the-counter securities market during recent weeks, as reported exclusively in this department of THE MAGAZINE OF WALL STREET, have aroused quite general interest and important price changes have resulted.

One of the remarkable developments was an advance of something like 200 points in the bid price of the Victor Talking Machine stock. This company was briefly analyzed in the February 18th issue, and the performances which have enabled it to pay out a total of $497 in dividends on its capital stock in the 21 years of its existence brought out.

It is believed in authoritative circles that the next few weeks will see other important new developments in the over-the-counter market. A number of the companies represented here have very large cash surpluses at the present time, and it would not be surprising if some melon-cutting were done. The Johns-Manville Co., Joseph Dixon Crucible and Phelps Dodge Corporation shares are mentioned as among the more likely candidates.

One of the interesting situations in the over-the-counter market is that represented by the piano company stocks. At this writing, Aeolian Weber common and preferred are offered at $20 and $50 per share, respectively, with no bids reported. On the other hand, $54 and $73 are being bid for American Piano stock with no offerings reported. There is a situation here which merits investigation, and which will be made the subject of a special report in a later issue of THE MAGAZINE.

General Baking Company

Attention is being called to the shares of the General Baking Company, now being quoted 77-82 in the over-the-counter market and enjoying increased activity.

The General Baking Co. is one of the leaders in a highly profitable field. It was formed in 1911, and has a chain of bakeries and office buildings throughout the eastern and southern states.

The company has an earnings record comparable with that of the Ward Baking Co., which has been analyzed in this department. Total net income in the years 1915 to 1920, inclusive, is recorded in the following table:

1915	741,014
1916	919,053
1917	964,019
1918	1,004,956
1919	1,355,339
1920	1,595,910

The company's capitalization consists of $2,834,000 1st mortgage 6s, due 1936; and the following stocks, authorized and issued.

	Authorized	Issued
7% Cum. Pfd.	$10,000,000	$5,925,000
Common ($100)	10,000,000	3,400,000

The dividend record of the preferred stock was somewhat spotty in early years. A total of 5¼% was paid in 1912; 4% each year, 1913 to 1918, inclusive; and 7% in 1919 and 1920.

The company's large earnings in recent years enabled it to pay full back dividends in 1920. Since then, the preferred has received regular dividends.

The common shares received an initial quarterly dividend of 1¾% in March of last year. There is reason for believing that the common rate will be increased to 8% annually.

These facts give General Baking securities special attractions at this time, with what seem excellent speculative possibilities in the common.

MANITOBA POWER CO., LTD.

(*Continued from page* 641)

Earnings of Guarantor

Winnipeg Electric Railway Co. for the twelve months ended November 30, 1921, reported net earnings after taxes and available for bond interest of $1,657,213 against $1,504,628 for the previous twelve months. Deducting interest on funded debt of the parent company from the last twelve months statement would leave $1,022,053 or nearly twice the $525,000 needed for guaranteed interest charges on the present amount of outstanding bonds of the Power Co. Selling at 94 the 7s yield approximately 7.55% if held to maturity.

BRIGHTER OUTLOOK FOR RAILROAD SHARES
(*Continued from page* 611)

safest opportunities for speculation as well as investment will be included among the former. Furthermore the highest grade railroad stocks should show the influence of the lower money rates so that these issues will be subjected to a double influence: (1) improvement in earnings and (2) improvement in the money market. Among such stocks are Union Pacific, Canadian Pacific, New York Central, Colorado & Southern, Atchison (on account of the possibility of higher dividends), Illinois Central, and roads of similar standing.

As a matter of fact, the lower-priced railroad stocks, with which the speculative railroad bonds may be included, offer in some instances better speculative possibilties than the higher-grade railroad issues. In an article appearing in the Jan. 21 issue of THE MAGAZINE, six speculative opportunities among the low-priced railroad stocks were described. They follow: St. Louis Southwestern; Pere Marquette; Rock Island; Chicago & Eastern Illinois; Missouri, Kansas and Texas preferred and Toledo, St. Louis & Western. These issues probably represent the best opportunities among the low-priced non-dividend paying railroad issues.

There are a number of other issues which do not present such attractive possibilities although they will undoubtedly share sympathetically in the anticipated rise. Among such issues are Pennsylvania, New Haven, St. Paul, Pittsburgh and West Virginia and a number of the issues selling at $10 and lower per share.

LEADING ACTIVE STOCKS IN 1921

Name	No. Shares Dealt in
American International	1,154,350
American Sugar	1,283,600
American Sumatra Tobacco	1,296,300
American Woolen	1,809,100
Atlantic Gulf & W. I.	4,038,700
Baldwin Locomotive	4,706,570
Baltimore & Ohio	1,186,310
Bethlehem Steel B	1,936,720
Central Leather	1,076,900
Chandler Motors	1,562,900
C. R. I. & P.	1,616,740
Columbia Graphophone	1,168,600
Corn Products Refining	1,133,975
Cosden Company	1,306,700
Crucible Steel	2,896,300
Famous Players-Lasky	1,646,810
General Asphalt	7,391,600
General Motors	3,406,900
Island Oil & Transport	1,386,700
Kelly-Springfield Tire	1,374,900
Mexican Petroleum	9,311,950
Middle States Oil	2,122,550
Northern Pacific	1,837,500
Pacific Oil	2,308,405
Pan American Petroleum	2,388,500
Pennsylvania Railroad	1,167,586
Pierce Arrow	1,405,954
Reading	2,115,450
Republic Iron and Steel	1,165,300
Royal Dutch Shell	1,296,470
Sears-Roebuck	1,375,430
Sinclair Oil	3,128,150
Southern Pacific	1,297,500
Studebaker	6,977,850
Texas Company	2,482,150
Texas & Pacific Coal & Oil	1,487,900
Transcontinental Oil	1,504,010
United Retail Stores	1,423,600
U. S. Rubber	2,411,750
U. S. Steel	5,547,675

FAVORABLE OUTLOOK FOR PACKING HOUSE BONDS

(Continued from page 605.)

a first mortgage on 155 acres of improved real estate in Chicago, Kansas City, Fort Worth, Sioux City and East St. Louis, as well as on land in Minneapolis and in and around New York City. This property was appraised in 1909 as worth $40,000,000; the bonds are outstanding to the amount of $50,000,000. Since then there has been an appreciation of real estate values, and it has been recently estimated that the asset value exceeds the amount of the bonds.

This bond underlies the convertible debenture 6% bonds and the 10-year 7% notes.

The issue has had a high investment rating for years and can be recommended as suitable for the savings of "widows and orphans." The bonds are listed on the New York Stock Exchange.

Armour 7% Conv. Notes

These notes, which mature in 1930, are not secured by a mortgage, but are a direct obligation of the company. These notes are redeemable on 60 days' notice at 105, about 2 to 3 points above their present market price, which is an unattractive feature.

With the large amount of bills payable that the company has outstanding, it may be some time before these notes are called. Still 7% is now a high interest rate and the premium only brings it down to 6.7%, which is also above the market rate.

These notes are convertible into class A common stock, which is preferred over class B common stock, up to 8% dividends. No dividends are now being paid on the common stock. However, when business gets back to normal this stock may be in a good position to receive full dividends, in which case it might be advisable to take it in exchange for the notes.

These 7% notes at 102-103 may be considered a good short-time investment and, except for their contingent redemption, should sell, perhaps, five to ten points higher.

Swift Co. 1st 5s

These bonds (due 1944) have an annual sinking fund of 2%, which is used to retire the bonds at not over 102½.

This issue is authorized to the extent of $50,000,000, of which $28,923,000 are outstanding. It is a first mortgage "on all of the packing houses and other property of the company located in Chicago, E. St. Louis, S. Omaha, Kansas City, S. St. Joseph, S. St. Paul, New York, Philadelphia, Denver, Milwaukee, and St. Louis, and distributing branch houses in many other important cities."

The earnings of the company in normal times cover the interest charges on these bonds with a wide margin, and these securities are in a strong investment position. They can be recommended for those that consider safety as being paramount, but who also want to secure a fairly good return on their money. These bonds are listed on the New York Stock Exchange.

Swift & Co. 7% Notes

There are $25,000,000 of the notes, dated August 15, 1921, outstanding. These notes are redeemable at 102½ during 1922, with a premium which decreases ¼ of 1% each succeeding year thereafter.

In view of the large net reduction in notes payable made by Swift & Co. during 1921, it appears likely that these notes will be refunded within a comparatively short time, and can therefore be considered only short term investments.

These notes are not secured by a mortgage, but the average earnings of the company are ample to take care of the interest charges on this and the other issues.

The 5-year 7% notes,* due October 15, 1925, are in much the same position as the 7% notes of 1931.

They are a very good short term investment.

Morris & Co. First Sinking Fund 4½s

The $17,626,000 of bonds outstanding are a first mortgage on the real estate, plants and fixed property of the company located at Chicago, East St. Louis, St. Joseph, Kansas City, Omaha and Oklahoma City.

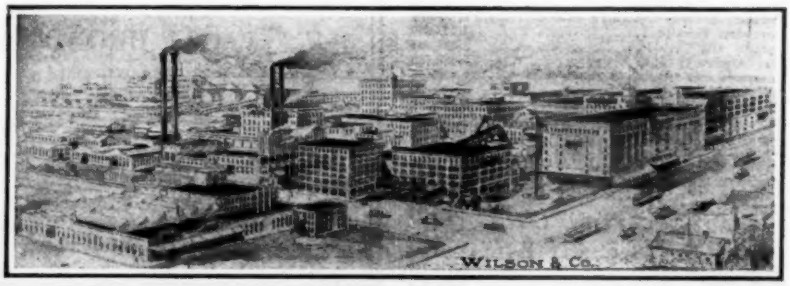
An annual sinking fund of 1.6% is used for the retirement of bonds at not over 103. The bonds fall due in 1939.

Although the earnings of the company for the last two years were reported in red figures, the company is normally able to earn its interest charges with a satisfactory margin, and as this issue underlies the other ones, it is in a safe position.

As with the first mortgage bonds of the other companies, it is a strictly investment security, and with the advent of lower money rates, along with the other issues, it should sell higher. These bonds are listed on the New York Stock Exchange.

Morris & Co. 10 Year 7½% Notes

These notes, similar to those of Armour and Swift, have the unattractive feature



of being redeemable at a little over par. In the case of the Morris Co. notes, they are callable at 107 for the first three years, and 106 for the next three years, 105 the next two years, and at 104 the last two years. As with notes of the other companies, it appears unlikely that the full amount, less those retired by the sinking fund, will be outstanding at the maturity date.

The sinking fund on this issue, which matures in 1930, is unusually heavy, and will retire one-third of the bonds prior to their maturity.

For a short term investment, which will very likely hold its present price, or even appreciate because of the large sinking fund, this issue can be recommended to those wishing a good return and reasonable safety.

BARNSDALL CORP.

(*Continued from page* 628)

sight must not be lost of the fact that in its extensive mining properties the company has physical assets of great though as yet mainly undeveloped assets. The decline in mining activities and in the prices of the various metals produced by the company's subsidiaries have necessarily cut into the earnings of these companies but with the metal markets generally facing a more promising future, it is likely that the company's income will be considerably increased from this source.

Conclusion

Considering the various interests of the company, its capable management, the conservative financial policy, its assets and good financial condition, this company gives a favorable impression. The shares of the company, while they are as yet unseasoned and therefore speculative, should ultimately yield good returns to the investor who has the patience to stand by the company while its directors are building it up. The shares are very inactive and sell on the New York Stock Exchange. At this writing the last quotation for the "A" stock is about 26 and about 22 for the "B" stock. A security of this sort, of course, while holding out ultimate hopes is more suitable for an individual with a surplus above that ordinarily needed for investment enterprise, and not for an investor who is in no position to assume even a reasonable risk.

HOW SHALL I RE-INVEST MY INCOME?

(*Continued from page* 624)

embarrassment at a time when you should be more or less financially independent, the value of this suggestion will become more apparent. The writer truly hopes that each individual reading this article will be encouraged to make at least a reasonable effort toward the reinvestment of his income. To do so would save many of us from worry at a time when our minds should be at peace. It is very unpleasant to have the wolf snarling at your door when you are fifty.

ERIE RAILROAD COMPANY

(Continued from page 609)

expense which includes the payroll. In 1915, for example, transportation costs were $23,200,000, against a gross of $66,400,000. In 1921 gross business was approximately $47,000,000 larger than in 1915, but transportation expenses were approximately $32,000,000 larger, and at that Erie succeeded in bringing down transportation expenses in 1921 in a material way as compared with 1920. These increases in the cost of doing business are well recognized and apply to all railroads, but the effect is more far-reaching and more disastrous—if that word may be used —in the case of a road which, like the Erie, unfortunately possesses relatively large capitalization.

In 1921 it is estimated that the Erie saved 20% of cost of maintenance of way by contracting for maintenance work instead of doing such work itself under the wage scales and working rules established by the U. S. Labor Board. Erie has taken a definite stand on this point, notwithstanding the agitation which it has aroused among the organized railroad brotherhoods.

There is a limit, however, to the economies which a road like Erie can put into effect, and it is not fair to expect the Erie to prosper through the medium of drastic economies. It is obvious that there must be a return to pre-war operating conditions, which is more emphasized in the case of the Erie than in that of many other stronger roads.

Erie has $15,000,000 notes due April 1, 1922. Of this total $12,000,000 is owned by the War Finance Corporation, and the Erie has applied to that Government agency for an extension of the loan. It is perhaps fortunate for the Erie that, at this time, it does not have to depend upon the public for funds, but, on the other hand, it is fundamentally unfortunate that the road must lean on the Government in order to maintain a solvent financial sheet.

Conclusion

It is perhaps a fair statement that the chief speculative interest in Erie's securities, at the present time, is centered in the bond issues rather than in the stocks. The reason for this is quite obvious. The active bond issues have fallen to such low levels that their prices indicate an attractive speculation, and potential purchasers of Erie securities, in their commitments, are looking for something a little nearer to the property than the various classes of stocks are. The depreciation of Erie securities from face values is shown in the accompanying chart, and it will be noted that the leading active bond issues and the share capitalization are selling for not much more than 30 cents on the dollar, if the "dollar" can be measured by face or par value.

The price range of the Erie stocks is a narrow one. Their big break came in 1917, and since that time they have shown little real substantial rallying power. In recent weeks the rail stocks have been attracting increasing outside attention, and the Erie shares have responded to some extent. It is to be questioned, however, whether this moderate market improvement has been due to any change in Erie's fundamental position. More probably it has been a reflection of temporary speculative sentiment. Of course, the fact that Erie earned a surplus over charges in 1921 was a cheerful bit of news, but, as previously emphasized, extra dividends from coal properties are not going to make or mar the Erie.

To the speculator who is interested in Erie securities the various bond issues make a more attractive appeal than do the stocks. For example, the first consolidated prior lien 4s/1996 are currently quoted around 59 and the first consolidated general 4s/1996, which are subject to the first consolidated prior lien 4s, are quoted around 45. Both these issues show rather a substantial appreciation from their low prices. The series A, B and D convertible 4s, all due 1953, are selling at prices where the direct income return is approximately 10%. They are junior lien bonds and much more of a speculative security than an investment. The yield is certainly large enough to attract, but their position cannot be definitely ascertained until it is more certainly known whether or not Erie must undergo a financial readjustment. In the writer's opinion, that question by no means has been definitely settled.

There are only two Erie bond issues maintaining, what might be called, a high estate. One is the Chicago & Erie 5s/1982, selling around 87, which are outstanding to the amount of $12,000,000, and which are a direct first mortgage on 250 miles of important main line. The other is the Erie-Pennsylvania collateral trust 4s/1951, selling around 80. These bonds are secured by the Pennsylvania Coal Company stock and by 51% of the New York, Susquehanna & Western shares. The market appraisal of their position, even should there be a financial adjustment, is plainly enough reflected by the satisfactory price level which they maintain. They are, what might be called, Erie's prime securities and, judging from price levels, are not in a speculative position.

There is no present guide to point Erie's way into the clear, and it is unreasonable to look for a definite change in the road's position in the near future.

ANSWERS TO INQUIRIES

(Continued from page 637)

regard to Federal Mining & Smelting preferred stock. This is a very speculative issue, everything depending on how favorable development work on the property is. This company only has a small amount of ore blocked out, but there is always the possibility of more good ore being uncovered. We should say, therefore, that the stock has speculative possibilities, but is rather a risky proposition. If you prefer a stock with more definite possibilities,

would favor a switch into Tennessee Copper selling 10. The latter company is in good financial condition, has favorable sulphuric acid contracts and we believe in the next two years much better earnings will be shown.

MEXICO OIL
An Excellent Switch

I am one of the unfortunate "investors" who bought Saxon Motors when it was selling in the twenties and Alaska Gold at 3. I also own some Chicago & Alton, Habirshaw Electric and Atlantic Fruit. I realize that these securities are nearly valueless but I am wondering if you can suggest a switch into some stock that may some day give me back part of my losses.—F. D. K.

We suggest a switch into the shares of the Mexico Oil Corporation, selling on the New York Curb market at about $1.75 a share. This company is not yet a producer and its holdings were selected with the express purpose of awaiting the coming big fields and waiting for other people to prove them. The company has extensive holdings in Mexico and Bolivia. Some of its properties in the latter country have been sold at a liberal profit. It is estimated that the Bolivian properties which have been sold will justify an expenditure of $50,000,000 in getting out the oil. One of the Standard Oil companies was the purchaser.

In Mexico, the San Miguel holdings of the company have already proven to be of extremely great value. From an official statement issued by the president it appears that the San Miguel properties alone should earn 100% of the par value of the stock which is $10.

These few points have been indicated in brief merely to suggest the possibilities of this stock, as an analysis of the company's holdings would require more space than that allotted to this article.

At any rate, judging from the above it appears that the stock of the Mexico Oil Corporation contains much greater possibilities than the securities you mention and that it would be advantageous to make the exchange at these levels.

UNION CARBIDE & CARBON CORPORATION
(*Continued from page* 612)

the company if the record for 1921 showed much over $4 a share for the common.

Conclusion

Union Carbide & Carbon has only one class of stock outstanding and no funded debt. The stock consists of 2,800,000 shares, which, quoted at $51 a share, puts a value of $142,000,000 on the property. The shares at the present dividend rate of $4 yield 7.8%.

The company's financial position, as shown, is not likely to have been damaged much by last year's deflationary process. Although the holding company, as such, is comparatively young, the units composing it are well matured. Under normal conditions, this immense organization should be able to show a satisfactory profit.

The shares do not seem over-priced, although they are speculative.

INTIMATE TALKS WITH READERS
(*Continued from page* 632.)

Now it may happen, owing to the existence of a large short interest, or for other special reasons, that a certain stock is in more than ordinary demand. In that case the lender of the stock may decline to pay the prevailing call-money rate on the funds advanced. If the posted rate be 6%, he may refuse to pay more than 5%, or even 4%, or 3%, or 2%. Then the stock is said to be "lending under the money rate." Or, he may refuse to pay any interest at all, in which case the stock is said to be lending "flat." Carrying the point further, it may happen—in fact, it has frequently happened in the past—that a certain stock for one reason or another is in unusually heavy demand for borrowing purposes. At such times lenders of the stock are in a position not only to refuse paying any interest at all on the funds advanced as security, but even to exact a premium for the use of their stock. This premium may be 1-16, or 1/8, or 1/2 of 1% a day, or more, and the stock in question is then said to be "lending at a premium." However, it does not always follow, because a certain stock is loaning under the call-money rate, or "flat," or even at a big premium, that a large and unwieldy short interest in it exists. Big operators have a way of creating an artificial demand for their specialties by borrowing all the stock they can lay hands on, and then exacting a stiff premium from the would-be borrowers. Their object, of course, is to deter others from selling the stock at a time when they, the big operators, are trying to liquidate their own holdings.

A case in point is Crucible Steel. A year or so ago, when the stock was selling well above $125 a share in a generally declining market, a premium of as much as 1% a day was at times demanded for the use of the stock. From the subsequent action of the stock, which sold some time ago as low as 51, it now is a fairly safe assumption that last year's scarcity of Crucible stock for borrowing purposes was wholly artificial and was merely a ruse to deceive the bear element in Wall Street and to facilitate liquidation by insiders. As a general rule, however, the fact that a stock is "loaning" below the money rate, or "flat," is a pretty good indication of the existence of an overcrowded short interest, and should serve as a warning that short selling would be attended with considerable risk, indeed.

ADVANCE-RUMELY CO.
(*Continued from page* 613)

dividends are likely to continue to pile up, the outlook for the common stock does not appear to be at all satisfactory. At present prices of around 14, it is four points above its low of 1921. Holders of the common stock who desire to maintain an interest in the company would probably do well to switch into the preferred stock. The 6% debentures are well secured, but as the amount now outstanding is so small, there is a very inactive market in this issue. At present prices of around 92, they look like an attractive business man's investment.

PRICE MOVEMENT AND ITS RELATION TO BUSINESS

(*Continued from page 601.*)

one another as between different countries has been found in the fact that so early in the European war, the gold standard was practically abandoned by all, each country thereafter falling back upon a basis of artificial prices and pure credit. To get back to some common basis of value therefore is the first and fundamental element in the problem. This has led to a consensus of opinion on the part of most careful observers to the effect that early restoration of a gold basis of exchange in international trade is absolutely necessary. That does not mean that the restoration of the old gold parities is necessary;—indeed that is out of the question in most countries. Great Britain may be able to get back to a parity as relates to the dollar, similar or equivalent to that which existed before the war. In fact the rapid rise of sterling during the early weeks of 1922, and the tentative announcement on the part of the Chancellor of the Exchequer that it is intended as soon as possible to restore the freedom of movement of gold into and out of Great Britain tend strongly to confirm this belief. On the Continent, there seems no reason at present for the opinion that any of the countries are likely to get back to a definite gold parity at the level which existed before the war. It should again be emphasized, however, that the essential thing in restoring international values to a comparative basis and thereby rendering possible a trade based upon the same conditions and standards which existed in former years, is not the restoration of the old parity of money units but the restoration of a common measure of value which permits business to go on as before the war, and allows traders to make accurate calculations as to how they can cover costs and other obligations. Such restoration of a uniform basis is probably the one point upon which practically all experts seem to be agreed.

Uniform Basis Must Be Gold

In this connection, however, it is also admitted that the uniform basis referred to must practically be gold and that no other footing of value will answer the pur-

INDEX NUMBERS OF WHOLESALE PRICES (ALL COMMODITIES)

	United States; Federal Reserve Board (90 quotations)[2]	United States; Bureau of Labor Statistics (315 quotations)[3]	Canada[9]; Department of Labor (272 quotations)[5]	United Kingdom; Board of Trade (150 commodities)	United Kingdom; Statist (45 commodities)[3]	France; Bulletin de la Statistique Générale (45 commodities)[5]	Italy[1]; Prof. Bachi (38 commodities until 1920, 76 thereafter)[3]	Germany; Frankfurter Zeitung (77 commodities)[4]	Germany; Statistiches Reichsamt (38 commodities)	Sweden; Svensk Handelstidning (47 quotations)[5]	Christiania, Norway; Okonomisk Revue (93 commodities)[6]	Denmark; Finanstidende (33 commodities)[7]
1913	100	100	100	100	100	100	100	..	100	[5]100	..	..
1914	..	100	101	..	101	101	95	[9]100	..	116	[10]115	[11]100
1915	..	101	110	..	126	137	133	..	..	145	159	138
1916	..	124	135	..	159	187	202	..	..	185	233	164
1917	..	176	177	..	206	262	299	..	..	244	341	228
1918	..	196	206	..	226	339	409	..	..	339	345	293
1919	206	212	217	..	242	357	364	..	..	330	322	294
1920	233	243	246	314	291	510	624	1,509	1,479	347	377	382
1920												
November	190	207	225	293	263	461	670	1,636	1,506	331	403	403
December	173	189	214	269	243	435	655	1,647	1,437	290	377	374
1921												
January	163	177	208	251	232	407	642	1,549	1,436	267	344	341
February	154	167	199	230	215	377	613	1,484	1,372	250	319	290
March	150	162	194	215	208	360	604	1,419	1,334	237	312	280
April	143	154	187	209	199	347	584	1,410	1,323	229	297	270
May	142	151	183	206	191	329	547	1,322	1,306	218	294	257
June	139	148	179	202	183	325	509	1,387	1,365	218	294	254
July	142	148	176	198	186	330	520	1,473	1,425	211	300	253
August	142	152	174	194	181	331	542	1,723	1,909	198	297	254
September	143	152	172	191	175	344	580	1,520	2,067	182	287	224
October	141	150	169	184	163	331	599	1,993	2,460	175	286	202
November	140	149	168	176	161	332	595	2,698	3,416	174	276	186
December	..	..	170	..	157	325	..	3,283	..	..	269	188
January, 1922	..	..	..	..	..	..	..	3,467	..	..	..	..

INDEX NUMBERS OF WHOLESALE PRICES (ALL COMMODITIES)—Continued

	Finland; Kommerskollegium of Sweden (35 commodities)	Switzerland; Dr. Lorenz (71 commodities)[15]	Holland; Central Bureau of Statistics (53 commodities)[16]	Bulgaria; Direction Générale de la Statistique	Cairo; Department of Statistics (23 commodities)	South Africa; Office of Census and Statistics (187 commodities)	Australian Commonwealth; Bureau of Census and Statistics (92 commodities)[8]	New Zealand; Department of Statistics	Calcutta; India; Department of Statistics (75 commodities)[2]	Japan; Bank of Japan for Tokyo (56 commodities)[2]	Shanghai; Department of Statistics	Peru; Department of Statistics (58 commodities)[23]
1913	100	..	[15]100	100	([19])	..	..	[20]100	..	100	..	[19]100
1914	..	100	105	103	..	[21]100	[13]100	104	[13]100	96	..	[24]105
1915	..	..	145	137	102	117	141	123	..	97	..	[25]125
1916	..	..	222	[17]268	124	135	132	134	..	117	..	[25]100
1917	..	..	286	[17]667	168	154	[14]155	151	..	147	..	[25]105
1918	..	..	392	[17]830	207	168	170	175	..	192	..	[20]217
1919	981	..	297	[17]1,166	225	181	180	178	..	236	[22]100	[20]227
1920	1,384	..	282	2,086	299	245	218	212	204	259	106	238
1920												
October	1,400	..	283	2,086	300	272	215	222	206	226	104	231
November	..	..	260	2,074	287	..	208	218	194	221	105	230
December	..	..	233	2,392	238	..	197	218	180	206	105	225
1921												
January	1,156	238	213	2,392	214	260	196	216	178	201	104	221
February	1,264	230	197	2,135	196	..	192	210	174	195	107	215
March	1,258	219	188	2,437	182	..	181	208	175	191	108	210
April	1,379	208	176	2,006	181	..	171	204	183	190	108	205
May	1,297	186	182	1,945	179	..	166	202	184	191	110	204
June	1,487	185	182	1,680	166	..	162	200	178	192	111	202
July	..	179	176	1,721	164	155	159	200	183	196	109	201
August	..	177	180	1,730	..	..	160	197	184	199	112	205
September	..	181	180	1,758	..	..	160	..	..	207	..	205
October	..	184	169	..	186	..	156	..	184	219	..	..
November	..	182	165	..	181	..	..	..	180	214	..	..
December	..	178	..	..	176	..	..	..	..	..	..	..

pose. That is not because of the fact that gold has shown itself altogether satisfactory as a unit of value; on the contrary the experience of the past few years has been extraordinarily disappointing in that regard. The demand for the restoration of the gold standard was merely based upon the fact that nothing better or more satisfactory has been devised to take the place of gold. Restoration of the gold standard is therefore essential not because of the satisfactoriness of the metal but because of its superiority to the other measures that have been tried or proposed. Uniformity of measurement is in itself the fundamental and absolute essential, and without it very little progress can be effected. Indeed if variation of prices between countries which now exists cannot be brought to a close it may be expected that international trade itself will continue to recede, eventually reaching an even less satisfactory level than at present. Our own trade during the year 1921 was off about 50 per cent from 1920.

The study and selection of means to restore a common measure of value will be perhaps the most important work to be carried through at the Genoa Conference. How it may be accomplished will form the subject of the next article of this series.

(The title of this series which was originally How to Forecast Business and Financial Conditions is changed herewith to The Price Movement and Its Relation to Business, the latter title covering the subjects handled more fully than the old title. The second of the series was written by H. Parker Willis, the third to be written by Mr. King.—Editor.)

AMERICAN WRITING PAPER CO.

(*Continued from page* 617.)

pany, which is carried on the balance sheet, exclusive of good will, trade marks, etc., at $15,243,113, for fixed assets and approximately $6,000,000 for net liquid assets. A sinking fund provides for the annual retirement of 1% of the outstanding bonds and in addition 15% of the yearly net surplus belongs to the sinking fund so long as any of the bonds are outstanding. At present price of 82 the yield on these bonds if held to maturity is 8.3%. In view of the fact that they are a first mortgage on assets conservatively valued at at least twice the amount of the bonds outstanding and in view of the improved management the company is enjoying they appear to offer a rather attractive investment opportunity.

At present prices of around 25 the preferred stock would appear to have good long pull possibilities. Back dividends on this issue now amount to 147½%. In 1920 this stock sold up to 61¾. Under present conditions no dividends can be expected, but it would appear that when a brisker demand for this company's goods springs up, as is likely in the near future, the stock at least has fair prospects of getting something in the way of dividends. In view of the back dividends due on the preferred, the common stock selling around 4 does not look particularly attractive.

ANSWERS TO INQUIRIES ON RAILROAD SECURITIES

(*Continued from page* 610)

turities next year. It hardly seems likely to us, however, that this road will be allowed to get into serious difficulty as it is well known that the property has been excellently maintained and that under more normal conditions it should be able to cover its fixed charges comfortably. The outlook for earnings in 1922 is brighter, one reason being the reopening of the large mining companies' properties, which means increased profits, and it is expected that the traffic in grains will be much heavier. While there is a certain element of risk in holding the preferred stock should conditions turn out more unfavorably than expected, it looks very much to us as though this road has seen the worst and that there will be improvements from now on. As regards dividend on the preferred stock, there is little or no likelihood of anything being paid in 1922. In fact, it looks as though it will be a rather long wait for dividends, although it is certainly not in the hopeless class.

If you decide to take the loss in order to switch into a dividend payer, would favor waiting for a rally from present levels.

N. Y., WESTCHESTER & BOSTON
Bonds in Speculative Position

How do you regard the outlook for New York, Westchester & Boston bonds? I hold some at much higher prices and have been considering averaging at present prices. Would you deem this advisable?—G. S. J., Marietta, Ohio.

New York, Westchester & Boston earnings have not been sufficient to cover interest on the bonded debt. At the present time the road runs through territory that is not very much built up and it would seem as this territory becomes more populated, that the road should become a good earner. At the present time the guarantee of the bonds by the New York, New Haven & Hartford is apparently the only reason that the interest is still being paid. In case of a receivership for New Haven, we should say that the interest on these bonds would immediately be defaulted. Some reorganization of the road would probably then be necessary in order to supply it with working capital. In view of the fact that the property the New York, Westchester & Boston owns is a valuable one, we would not be inclined to sell out these bonds at present prices. Believe it inadvisable, however, to average your holdings down by purchasing any more at this level, as in case of unfavorable developments in New Haven Railroad you might be hung up in them for a long time.

NORTHERN PACIFIC
Has Probably Turned Corner

I own 100 shares of Northern Pacific at 110. As the dividend does not appear to be safe I have considered switching into one of the following stocks: United Fruit, American Sumatra Tobacco, Sears Roebuck. I should be greatly obliged for your advice about the suggested switches.—D. S. F., Sheffield, Mass.

Northern Pacific has very strong interests behind it and regardless perhaps of the fact that the road has not been making a wonderful showing in the past two years, interests identified with the company intend seeing it through. Its subsidiary, the Burlington, declared an extra dividend of which 50% goes into the Northern Pacific treasury and Colorado Southern, a subsidiary in turn of the Burlington, also placed its common stock on a $3 dividend basis. This helps Burlington and in turn Burlington helps Northern Pacific. It looks as if the 7% dividend on Northern Pacific will be maintained and in view of the large loss you would suffer by switching, we believe that, while fully aware of a past unfavorable earning position, the company has probably turned the corner and eventually you ought to be able to sell to better advantage. We frankly do not see any great advantage in switching into the stocks named in your letter, although if you are looking for a sound 7% preferred stock, we would suggest General Motor preferred around 80, whose dividend is apparently quite safe.

WESTERN PACIFIC
Strong Financial Condition

Some time ago I purchased 100 shares of Western Pacific preferred about ten points higher than it is now selling for. If its dividend is not going to be continued I feel that I have more of this stock than I can afford to carry. At the same time I do not feel like taking such a large loss. I would appreciate your opinion.—W. C., Union City, Pa.

Western Pacific has not been fulfilling its outlook which anticipations indicated last year. Net earnings for the 11 months ended November 30, 1921, showed $1,314,904 as against $3,413,673 for the same period in 1920. This company doubtless lost considerable business by reason of the damage in certain sections of the California fruit belt and the floods in the Pueblo sections made it impossible for them to receive freight from the Denver Rio Grande for some time, which doubtless also affected its earnings. Whether these are sufficient reasons to account for the great decrease shown, we are unable to say. We would not consider the preferred dividend in immediate danger inasmuch as the balance sheet for the year ended December 31, 1920, the last available, showed a net working capital of around $14,000,000. Of course, the showings of the road in the next few months will tell the story as to whether Western Pacific is really on the upgrade and the slump in earnings shown during 1921 simply temporary.

In order to reduce your risk suggest switching half of your holdings into Philadelphia Co. selling around 34 and paying $3.

LOW PRICED MINING STOCK ON BARGAIN COUNTER

(*Continued from page* 631.)

of the consumption, and sheet rolling 11% to 15%. From these figures it is apparent that the zinc industry is on a firm foundation under normal industrial conditions. Therefore, it is reasonable to look forward to improvement in the market price of zinc shares as the above demands begin to reassert themselves.

N. Y., N. H. & HARTFORD DEB. 4s
Highly Doubtful Position

Would you give me your opinion of New York, New Haven & Hartford debenture 4s, due April 1, 1922. Do you think they will be paid at maturity?—O. W. J., Portland, Me.

New York, New Haven & Hartford debenture 4s due April 1, 1922, can be regarded as a speculative bond, as there is a certain amount of doubt as to whether they will be paid at maturity or not. Recently reports have been to the effect that the bankers would take care of New Haven and that no receivership of the road was to be expected in the immediate future. The earnings of the road have shown up very poorly, however, and unless there is a very material showing for the better, it rather looks as though there may be a reorganization. We would be inclined to leave this security alone. In case of reorganization, this bond might work out fairly well, but there are much better investment opportunities, we believe. A suggestion is Packard Motor 8s selling around par. The working capital of this company is more than twice the bond issue.

Securities and Commodities Analyzed in This Issue

GENERAL AMERICAN TANK CAR CO.

(*Continued from page 629,*)

another plant at Warren, O., capable of turning out 4,000 tank cars per year; and a third plant at Sand Springs, Okla., with tank car repair facilities of over 1,500 cars. Altogether, the General American Tank is equipped to manufacture something like 50 different varieties of railroad car equipment.

Valuable Contracts

The company has secured some very valuable contracts during its existence in the present form. It has been one of the largest builders for the Union Tank, having turned out some 3,000 cars for that company. Also, General American has constructed large numbers of gondola cars (coal carriers) for the Standard Oil of Indiana and the Chicago & Alton; and refrigerator cars for the Illinois Central and Great Northern railroads. The company has been one of the most important factors in the equipment of the Chinese railroads, having produced close to 30% of the cars used for this purpose.

The company's earnings record has been good, instanced by a gross business in 1920 of well over $33,000,000, as compared with a gross in 1917 of about $14,000,000.

Conclusions

General American Tank Car has the following capitalization:

Issue	Authorized	Outstand'g
Equip. Tr. ctfs..	....	$11,495,000
7% Cum. Pfd...	$10,000,000	4,949,300
Com'n (no par)	400,000 shs.	252,782

The common shares are quoted around $56, and are receiving dividends at the annual rate of $3 at the present time. The yield of only a trifle over 5% is not over-attractive, in view of the greater opportunities elsewhere. Furthermore, with such organizations as American Car & Foundry, Standard Steel, Pressed Steel Car as competitors, it does not seem likely the General American's returns will improve much during the prospective period of comparatively keen competition.

HOW THE TREASURY WILL REFINANCE THE SHORT TERM DEBT

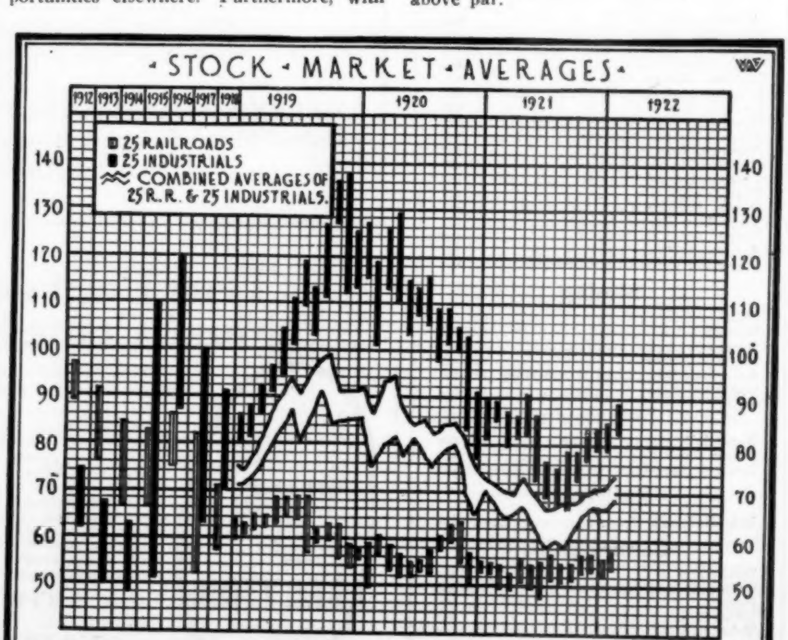
(*Continued from page 596.*)

nomic thought is opposed to the enactment of the so-called Bonus measure, which, according to various estimates, would increase the public debt from $1,560,000,000 to $5,250,000,000. The financial arrangements involved in such a huge undertaking at this particular time would involve the Treasury in difficulties that would absolutely nullify all efforts toward a sane refinancing of the short-term debt.

Conclusion

Assuming, however, that the Bonus measure is defeated, there is no reason to anticipate serious difficulties with regard to the method proposed by the Treasury whereby it may refinance the forthcoming maturities. Assisted by budget operations to reduce national expenditures, and favored by a lower money market, the Treasury will undoubtedly find it feasible to float from time to time short-term securities which will take up the whole of the outstanding short-term debt before it falls due in the Spring of 1923.

It is difficult to forecast what effect this will have on the outstanding Liberty Bond issues. It may be presumed, however, that if money conditions become more favorable and the Treasury finds it possible to float certificates on a 3½-4% basis, the result will be to place outstanding Liberty Bond issues on approximately the same yield basis as the newer certificates, which is the same thing as saying that Liberty bonds will advance considerably above par.



NOTES ON THE BUCKET SHOP CAMPAIGN
(*Continued from page* 595.)

the difficulty is that the United States is a large country and everybody didn't read the exposure.

* * *

The New York Curb Exchange has not yet been heard from on the bucket shop question. The silence of Trinity graveyard seems to have extended across Trinity Place and into the broad area covered by the Curb Market's new building. Does anyone connected with that institution believe that no one of its members is beyond suspicion? At a dinner recently given to some of the leading members of the Curb Market, one of them arose and stated that the institution was a good deal like a tree which had been transplanted; that about its roots were a lot of weeds which he designated as bucket shops.

A while ago a certain Curb house expressed a desire to advertise in the MAGAZINE OF WALL STREET. I replied that I didn't like the way they did business. "Why not?" I was asked. "Everything in their place is open for your inspection." So we took a walk over to the firm's office and saw one of the senior partners. "Surely," said he, "what would you like to see?"

"Mr. ———," said I, "it is not necessary for me to see all your books. I would just like to look at three: your general ledger, your stock ledger, and your box book."

Mr. ——— yawned. "Well," said he, "I don't think it is worth while for us to go to all that trouble, just for the sake of advertising in another publication."

"Very well," said I. "Good day."

Now, if Mr. ——— did not think it worth while to establish the fact that he was doing a legitimate business, what does the Governing Committee of the Curb Market think about it? Are there any others in the same position? Not a few members of the Curb Exchange believe in a show-down. And now that the New York Stock Exchange and the Consolidated Exchange admit that supervision is necessary, how long is the Curb Exchange to continue its policy of silence and inaction?

HOW MUCH TAXATION?
(*Continued from page* 602.)

wrong. But it is not generally accepted that excessive taxation of the rich is economically wrong. Most rich men do not spend the whole of their income on their own consumption. Some part, and often a very considerable part, is saved, and these savings are lent as industrial and commercial capital. A high supertax in the case of the rich is largely a tax upon savings, and the money taken by the State is withdrawn from productive use and spent upon consumption. In a healthy condition of a State no more should be raised in taxation than will leave an amount available for capital development sufficient to meet all the needs of business."

IT'S LESS EXPENSIVE TO OWN YOUR HOME
(*Continued from page* 623.)

will fall between them. I also perfectly appreciate that the validity of these comparisons rests on the existence of fundamental identity and likeness between the apartment and the house; but that must be assumed. And, for a final word, I perfectly appreciate that these questions are complicated by the fact that all have not enough money to buy a home outright, and in their calculations must figure varying charges on borrowed money. But the simplest case is to postulate, as I have done, two individuals, both with the same amount of money, one of whom rents, the other of whom buys, then to see how each will come out after a term of years. It is mathematically true that the home-owner saves money through his ownership, besides enjoying intangible values that the tenant misses altogether.*

**A reader living in New York City could truthfully deny that it is possible to buy for $5,500 a house affording equal accommodations with a $65 apartment—though such an apartment, in these parlous times, offers nothing very splendid! But the country is bigger than New York City, and the relations between rentals and realty values here assumed are probably roughly accurate for less densely populated portions.*

WESTINGHOUSE ELEC. & MFG. CO.
(*Continued from page* 616.)

in the period 1912-1921 has been able to earn its interest charges from 3.19 times to 203.39 times over. The principal outstanding bond issue is the $30,000,000 7% gold bond issue, due May 1, 1931. These bonds are issued in denominations of $500 and $1,000. They are a direct obligation of the company, but not secured by any mortgage. The bonds are quoted at about 107, giving a yield of approximately 5½%. They are a perfectly secure issue, but at this point give little opportunity for appreciation in price. However, for an individual to whom a secure issue with a yield of 5½% is satisfactory, this bond should be attractive. Incidentally, the comparatively low yield offered by this issue indicates the high credit of the company.

Following the bonds is a very small issue of $3,998,700 7% preferred stock. Total annual dividend charges on this issue amount to only $319,000, which is an absurdly small charge against a company that has earned this dividend 8 times over in its worst period.

Investors are mainly interested in the $70,813,000 outstanding common stock (par value $50). This stock is held all over the country and in this respect is comparable to issues like U. S. Steel and the standard railroad shares. The company in the past eleven years has at no time fallen below $3 a share and has averaged about $7.50 a share during this period. During the current fiscal year the company will have about earned the dividend of $4 a share—a very creditable performance considering the period through which the company has passed. In view of the fact that the company was able not only to earn its dividend rate but make a great improvement in its financial position at a time when such results were not to

be expected, it is a reasonable assumption that the better business which is expected to materialize in the next fiscal year will provide higher earnings. For that reason the dividend appears secure. The stock has had a good rise from a low level of 38 last August to the current level of 54, but even at the latter price does not appear too high-priced. In 1919, this issue sold as high as 70.

GREATER ACTIVITY IN PUBLIC UTILITY STOCKS

(*Continued from page 627.*)

the sale of stock, and it is intimated that the dividend will be increased up to a sufficient amount to bring the stock close to par before the new issue is floated. At the present time, selling in the neighborhood of 79, the stock is remarkably high for a 4 per cent issue.

Third Avenue

A complete analysis of the Third Avenue property appears elsewhere in this issue.

Twin City Rapid Transit

The stock of the Twin City Rapid Transit Company is to be regarded as rather featureless, bearing dividends at $2 per share per annum, the issue yields in the neighborhod of 6 per cent. It is quite probable that a gradual appreciation will occur as earnings improve, although no immediate market action is expected.

BUSINESS COMMENCES TO IMPROVE

(*Continued from page 604.*)

since the middle of January. Moreover, the figures are gaining rapidly on the 1920 figures. It is almost without a doubt that unless something serious occurs to upset all calculations with regard to the business prospect for 1922 the current year will provide a greater amount of traffic than that had in 1921.

An instance of the improved sentiment among railroad officials is that orders for rolling stock are now on the increase. Freight car orders have already about equalled those received in the entire year of 1921. It would be premature to suggest the possibility of a freight car shortage but the improving business conditions which inevitably will increase the demand for freight facilities will have the effect of showing that the carriers are rather under-equipped than otherwise. Interesting developments along this line are promised during the current year.

COTTON

Higher Prices Likely

The New England textile strike has undoubtedly clouded the prospects for cotton but the ending of this situation should lead to a great increase in demand and consequently in higher prices. The strike therefore has merely retarded the rate of demand which up to recently had shown a tendency to expand.

In considering the outlook for cotton sight must not be lost of the fact that agricultural products in general have shown strong tendencies toward advancing in the past month. Thus wheat, corn, the coarser grains and livestock are all selling at appreciably higher levels than at the beginning of the year. Cotton, which is in as strong a statistical position as any, must sooner or later reflect the growing confidence in the agricultural situation.

Owing to the strike, speculative activity in the cotton market has not been pronounced of late and the rise in the grains has served to divert a certain amount of speculative interest which otherwise would have been shown in the cotton market. There has also been a disposition to wait definite information regarding the amount of Spring planting. It is not believed, however, that the amount of acreage devoted to cotton growing this Spring will be such as to cause apprehension to those who are holding cotton.

Furthermore the small amount of stocks in jobbing hands and in the hands of wholesalers must very shortly compel these interests to replenish their stocks. This would impel greater mill activity and greater spinners' takings.

The favorable action of sterling exchange, giving greater purchasing power to foreign interests, should also have considerable effect on the demand for cotton.

Generally speaking, the outlook for the commodity is favorable except in the event that more acreage is devoted to this form of agriculture than is anticipated. Within a few weeks, however, a fair idea should be gained of the general situation.

SUGAR

Dull Now, But Outlook More Promising

It does not appear very likely that there will be any marked change in the sugar price situation in the next few weeks. The demand for raw and refined sugar has slumped a little after the burst of activity a few weeks ago. Requirements of American refiners have been taken care of for the immediate future and they are not likely to enter the market for some time yet.

The refiners have again worked down to the five cent basis, most of the leading companies having announced that price in the recent past. Business offered is light. However, the lower level of prices is bound to increase the demand as soon as refined sugar consumers have disposed of their stocks.

Indications are that during the major part of March both the raw and refined sugar markets will mark time. There is nothing in sight which would lead to any other conclusion.

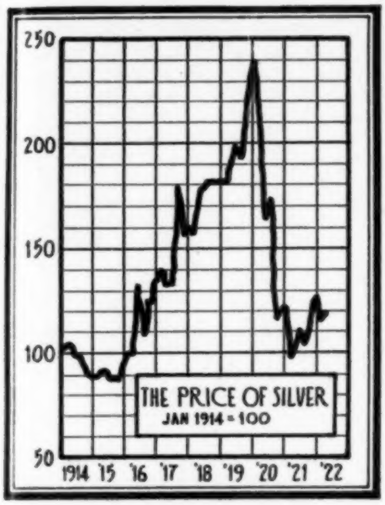
It is improbable, however, notwithstanding the slump in buying, that there will be an important downward revision in raw sugar prices although the fluctuating character of the market may be expected to continue until the demand sets in at a pace to force values upward for some time. The feeling in the trade, in gen-

eral, is that prices will stabilize at around these levels for a few weeks and that after that period, an upward reaction of fair proportions should take place.

SILVER

Outlook More Favorable

In the first six months of 1921 there was an almost continuous decline in the price of silver but the tendency changed in July and since that time prices have been rising almost steadily. The outlook for the price of silver is complicated by the fact that it is influenced by so many forces as to almost defy analysis. There are,



however, a few fundamental influences whose trend it would be possible to trace and which thereby might give a fair clue as to the course of prices.

Silver is mainly used as a luxury metal and its consumption consequently will be influenced by the underlying economic conditions which are likely to obtain. A period of great prosperity would greatly enlarge the demand for silver with a consequent effect on prices.

There is, however, another important influence on silver to which allusion should be made. Silver is used as a money metal in the Oriental countries, particularly in China where it is in high favor as a circulating medium. It is also the main money medium in India. These two countries comprise a population of about 600,000,000 so that it will be readily seen that a very broad market has been established for the metal.

When economic conditions are good in these two countries the circulation of silver money increases and the demand is greatly stimulated. This was seen during and directly after the war when silver advanced to about $1.30 an ounce, mainly under the stimulus of Oriental purchase. When, in the deflationary movement of 1920-1921, world trade fell off, China and India felt this situation very keenly. The demand of trade fell off to a point to affect the demand for silver and prices had a very sharp decline. Since the past half year, however, the economic situation in the Orient has improved somewhat

and the demand for silver has increased. Prices have advanced simultaneously.

It would therefore appear that conclusions with regard to future silver prices depend largely on the prospect for trade in the Orient. From present indications, it appears that the economic situation in China and India, including Japan, is slowly improving. The demand for silver is rising and prices are a little higher as a consequence. Generally speaking, the outlook is for a broader silver market to accompany the increasing scale of activities in the Orient. Additionally, the improving tone of business in other sections of the world should ultimately result in a greater amount of "luxury spending" and therefore in a greater demand for this luxury metal.

TOBACCO

Good Trade Expected

Higher leaf tobacco prices have compelled the leading retail distributor to advance the price on several cigarette brands. This is the most interesting development in the tobacco industry as the entire history of the tobacco trade in the past few months has been a seemingly never-ending series of price reductions. As pointed out in a previous review on the subject, an advance in raw tobacco prices necessarily would tend at least to stabilize the retail price situation. With the advance in raw tobacco prices, the retail end of the industry appears to have reached this position temporarily. While competition continues on a very large scale, this is now having little effect on the price situation, most retailers having agreed that the present level marks the limit to which reductions can be made.

The above applies more particularly to the cigarette branch of the industry. All through 1921, cigarette demand was the mainstay of the tobacco industry. Notwithstanding a year of general depression the demand for cigarettes increased so that a new record of production was made for all time. In 1921, there was an increase of about 16% in cigarette output as compared with the previous year.

In the same period cigar production fell off about 15% and the same influences which caused a shrinkage in the demand for this form of smoking product are still in existence. The demand for cigars continues to fall off and concerns specializing in this end of tobacco manufacturing face the greatest difficulties. However, they are attempting to curtail expenditures to meet the less favorable conditions which now exist and quite likely they will have reached a position of comparative stability within a few months. Additionally, the better conditions which should obtain in business in a few months should result an increased demand for this more expensive form of smoking material.

During the current year, those most likely to profit from the new conditions in the tobacco industry are the planters. Prices of raw tobacco have advanced generally about 20% in the past few months and the outlook is that the rise will be continued. The larger retailers who have a good control over their expenditures should be able to return a fair profit though they cannot possible earn as much as in the boom period of 1915-1920. Cigarette manufacturers should continue to do well but the cigar makers are still in a week position. The latter, however, will benefit from continued reduction of operating expenditures and from the impending revival in general business conditions.

SHIPPING

Brighter Outlook

An erroneous conclusion might be drawn by comparing present world tonnage with that existing before the war, since a comparison would apparently indicate an over-production. In 1914 world tonnage amounted to a gross of 43,500,000 tons and the present figure is 52,000,000 tons approximately. These figures however do not picture the actual situation since allowance must be made for the fact that many ships are nominally classed as seagoing which under ordinary circumstances would have been "scrapped" years ago. Such vessels can hardly ever again find employment as they will never be able to compete with the more efficient vessels constructed more recently. These vessels constitute probably 1,000,000 tons of the apparent excess of production so that total serviceable tonnage to-day stands at about 51,000,000 tons instead of the 52,000,000 tons which the above figures indicate.

In the past seven years, tonnage should have increased about 14,000,000 tons to take care of the normal increasing demands of an increasing world population. In fact, the increase in the period under discussion amounted to only 7,500,000 tons so that actually there has been a deficit of 6,500,000 tons. This will become more apparent when the inevitable increase in world trade necessitates an ever increasing demand for vessels.

Under present conditions, of course it may be said that there is an over-supply of tonnage but this will dwindle to a deficit once the world starts to trade on a normal basis. Inasmuch as the latter is already in its beginnings, it follows that the shipping industry is about to start a long upward climb toward normal activity.

There are a number of tangible evidences of improvement in the shipping situation. A number of Shipping Board vessels are now carrying full cargoes whereas a few months ago they were sailing partly in ballast. The prospective movement in sugar has resulted in Shipping Board preparations for the reconditioning of a number of vessels to be used in this trade. There has been an improvement in German shipping conditions. The British charter market is more active, and the same is true of the Japanese charter market. Rates are somewhat firmer though there are a few instances of weakness. There is what appears to be a shortage of good passenger vessels. The above are merely a few instances of the changing situation. They contain considerable significance.

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